PRICE OF CORN
AND
PRICE OF LABOUR

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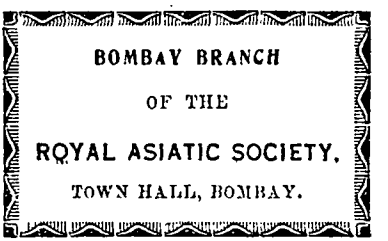

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PRICE OF CORN,

&c.

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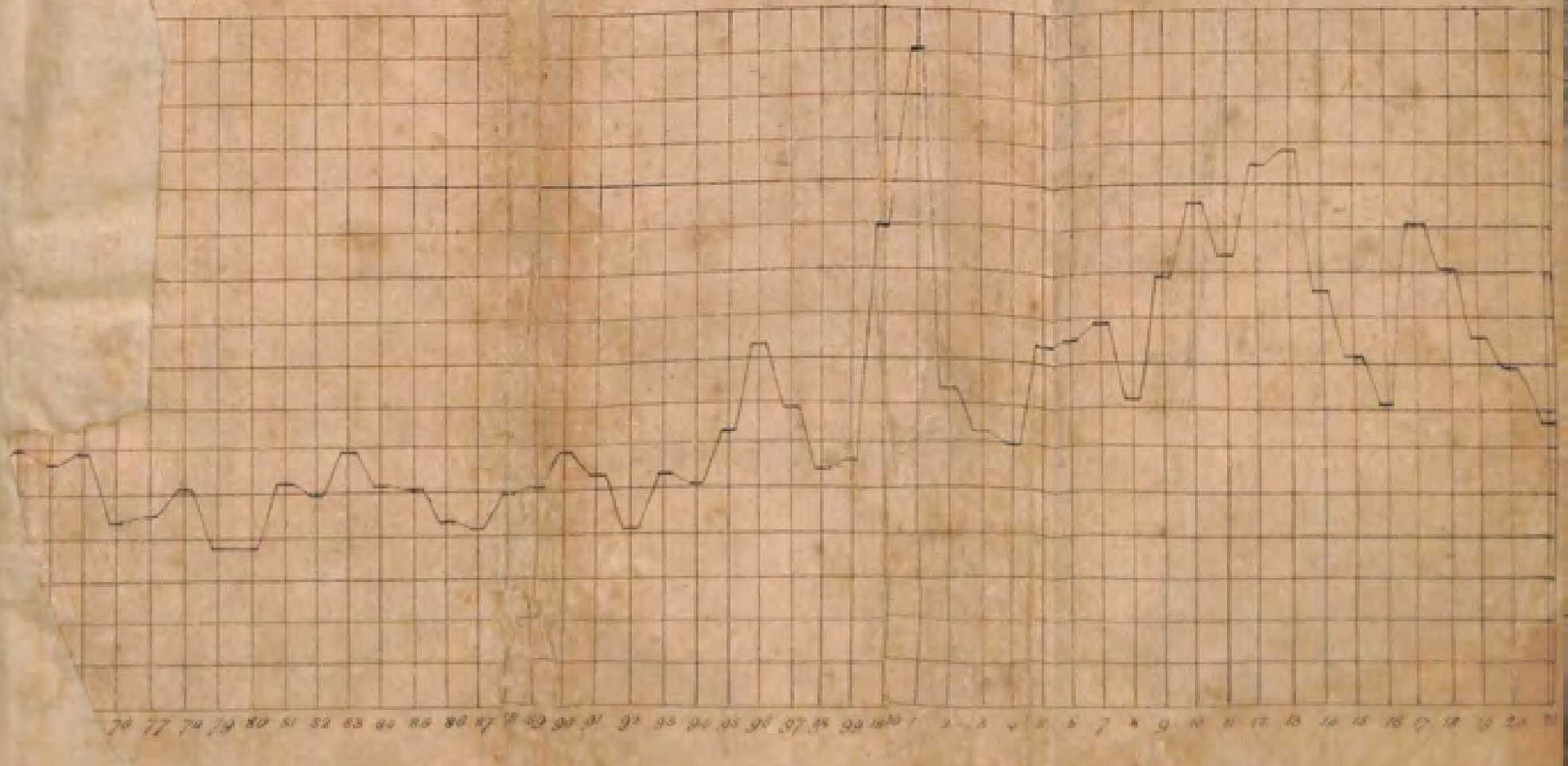
ARVEST YEAR *from the year* 17$\frac{4}{4}$ *to the year* **1821** *both inclusive.*



PRICE OF CORN

AND

WAGES OF LABOUR,

WITH

OBSERVATIONS

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UPON

DR. SMITH'S, MR. RICARDO'S, AND MR. MALTHUS'S

DOCTRINES

UPON THOSE SUBJECTS;

AND AN ATTEMPT AT AN EXPOSITION OF THE CAUSES OF THE FLUCTUATION OF THE PRICE OF CORN DURING THE LAST THIRTY YEARS.

BY SIR EDWARD WEST,

LATE FELLOW OF UNIVERSITY COLLEGE, OXFORD,

AND AUTHOR OF "AN ESSAY ON THE APPLICATION OF CAPITAL TO LAND."

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LONDON:

JOHN HATCHARD AND SON, PICCADILLY.

1826.

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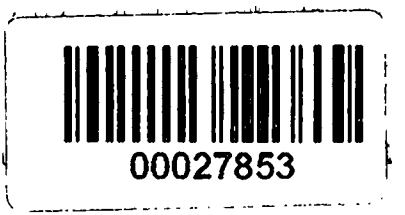

INTRODUCTION.

In the year 1815 the author of the following pages published a tract entitled, "an Essay on the application of capital to land," in which he attempted to develop some of the laws which regulate the price of corn and other agricultural produce, rent, wages, and profits. Most of the propositions enunciated in that essay were adopted by Mr. Ricardo in his Principles of Political Economy.

Mr. Ricardo in his preface to that work mentioned, that "Mr. Malthus and the author of the 'Essay on the application of capital to land,' presented to the world, nearly at the same moment, the true doctrine of rent;" but other principles of very considerable importance were first enunciated in that essay. Thus in pages 19 and 20 of that Essay the author states, that the diminution of the net reproduction or the profits of stock, which is observed

to take place in the progress of wealth and improvement, must necessarily be caused by a diminution of the productive powers of labour in agriculture." Mr. Ricardo, in page 133 of the Principles of Political Economy, says, "The natural tendency of profits is to fall, for in the progress of society and wealth, the additional quantity of food required, is obtained by the sacrifice of more and more labour;" which is precisely the same proposition in different terms; "a diminution of the productive powers of labour in agriculture," being precisely the same thing as "the additional quantity of food requiring more and more labour."

The author of the Essay too, first enunciated the proposition, which is, however, qualified in the present tract, that in the same state of the productive powers of labour in providing the necessaries for the maintenance of labour, the real wages of labour and profits of stock are a given quantity; and that, if either of them be increased, that increase of the one must be at the expense of the other. Thus in page 19 of the Essay, the author states, that "the profits of stock, which are the net reproduction of stock,

can be diminished in two ways only; either by a diminution of the powers of production, or by an increase of the expense of maintaining those powers, that is, by an increase of the real wages of labour." And a great part of the reasoning of that Essay is conducted upon this principle. The whole of the author's reasoning too, in that Essay, was conducted upon the principle of the labour which any commodity requires, or costs to produce it, being the measure of its exchangeable value.

The author thinks it not unfair to assert his claim to the discovery of these and other important principles; his essay is before the public, and the public will decide how far this claim is well founded.

In the year 1822, Mr. Ricardo published his pamphlet "on Protection to Agriculture;" in which, among other subjects, he attempted to account for the then depression of the price of corn, and other agricultural produce, by the fact, as he stated, of a superabundance of supply. This hypothesis was generally adopted; and all the changes we have witnessed in the price of corn, during these last thirty years, have been

attempted to be accounted for by the variation of the seasons and crops.

These doctrines appear to the author of this tract so opposed to sound reasoning, and to fact, that he immediately applied himself to expose what appeared to him to be their fallacy, and to attempt to point out the true cause of that depression of price.

In the course of that investigation he was under the necessity of analysing the laws which regulate price and wages, and of questioning some of Dr. Smith's, Mr. Ricardo's and Mr. Malthus's doctrines upon those subjects. Circumstances, however, prevented his publishing his observations at that time; but the question of the corn laws appearing again to excite considerable interest, he has availed himself of a few days leisure to prepare those observations with some alterations for the press.

Jan 1st 1826.
This tract was prepared
& intended to Ireland to be printed

PRICE OF CORN,

&c.

CHAPTER I.

EXAMINATION OF THE HYPOTHESIS OF MR. RICARDO AND OTHERS THAT THE LOW PRICE OF CORN, &c. IN 1822, WAS OCCASIONED BY A SUPERABUNDANT SUPPLY.

"ON the causes," says Mr. Ricardo,* "which have produced the degree of abundance, to which I attribute all that part of the fall of raw produce since 1819, which cannot fairly be ascribed to the alteration in the value of the currency, it will not be necessary for me to say much, we are, I think, justified in ascribing it to a succession of good crops, to an increasing importation from Ireland, and to the increase of tillage, which the high prices, and the obstacles

* On Protection to Agriculture, p. 16.

opposed to importation during the war, occasioned."

The Report of the Agricultural Committee, and many most enlightened members of both Houses of Parliament, have assigned the same cause for the depression of the price of agricultural produce at that period.

By the terms, "abundance," or "superabundant supply," or "redundant production," as it is called in the Report* of the Agricultural Committee, must of course be meant a production or supply above the ordinary supply.

In several passages of Mr. Ricardo's pamphlet,† it is stated, that the low price was caused by the excess of the supply above the demand. This however cannot be what he means to express by the terms "superabundant supply," for to say that price is low, that is, less than a remunerative price, and that the supply exceeds the demand, is the same proposition in different words. The definition of the term, "demand," in the sense in which it is generally used, is the want or desire of the bidder or purchaser measured or expressed in money: when the supply and demand are so adjusted to each other, that the article sells for its natural or remunerating price, the supply

* P. 8. † P. 31, 33.

and demand are *said* to be equal to each other: when the demand and supply are such, that the price is above the natural price, the demand is *said* to exceed the supply: and when the demand and supply are such, that the price is below the natural price, the supply is *said* to exceed the demand. These are the very definitions of the terms "equality of supply and demand," "excess of demand above supply," and "excess of supply above demand." To say therefore that the price is low, and that the supply exceeds the demand, is to express the same proposition in different words.

It must then be presumed that by the term "superabundance," is meant a supply above the ordinary supply.

Let us then consider, first, the evidence of the fact of this abundance, and afterwards, the three different supposed sources of it: namely, a succession of good crops, an increasing importation from Ireland, and the increase of tillage, which the high prices and obstacles opposed to importation during the war, occasioned.

As to the fact of abundance, it is acknowledged that it is inferred from the low price. Mr. Ricardo admits "that we can have no unequivocal proof of abundance but by its

effects."* The argument then is this—the fact of abundance is first inferred from the low price, and then such abundance is assigned as the cause of the low price. A very perfect specimen of what logicians call arguing in a circle. If we assume the proposition that nothing can cause low price but abundance, it is certainly not difficult to account for the low price.

With respect to the "succession of good crops," as one of the sources of this abundance, it is almost impossible to ascertain by direct evidence, whether any particular crop has been abundant or otherwise. The fact of the abundance of the harvest in one district is no evidence of its abundance in another; nay, hardly is the fact of abundance on one person's farm any test of the produce of that of his neighbour. The weather, which is unfavourable to the crops of one soil, is generally favourable to those of another: when low, or moist, or clay, lands suffer from a wet season; the crops are usually more luxuriant in high, rocky, or sandy districts. Unless therefore we could obtain a complete body of evidence from the various districts of the country, it is, except perhaps in cases of any unusual excess or deficiency, impossible to ascertain by direct evidence the amount of any

* Protection to Agriculture, p. 79.

particular crop. Let us refer to the accounts of the crop of 1819, given by the different witnesses before the Agricultural Committee.

One gentleman* states "that it was a very deficient crop;" another,† "that it was the most abundant crop he ever knew;" a third,‡ "that it was a bad crop;" a fourth,§ "that it was a good crop;" a fifth,‖ "that the years 1818 and 1819 were together bad average seasons;" a sixth,¶ "that it was a bare average crop;" a seventh,** "that it was rather above an average crop in Scotland;" and an eighth,†† "that the oat-crop was abundant." This is, I believe, the whole of the evidence verbatim with respect to the crop of 1819, which according to Mr. Ricardo, was "unusually abundant;"‡‡ a conclusion which he draws from this very evidence, and which is in direct opposition to that drawn from the same evidence in the Report of the Agricultural Committee, "that the produce of the harvest of 1819 did not exceed an average crop."§§

Such are the contradictions in the evidence, and in the conclusions drawn from that evidence, with respect to the crop of 1819.

* P. 138. † P. 160. ‡ P. 187. § P. 210.
‖ P. 232. ¶ P. 237. ** P. 327. †† P. 339.
‡‡ P. 76, 78. §§ P. 11.

We have however in general no means of collecting evidence as to the amount of crops, and the only fact, from which it is usually inferred that they are abundant, or otherwise, is the low or high price. If the price rise or fall for any one, or even two or three years, much above or below the surrounding level, we are certainly justified in attributing such rise or fall chiefly to plentiful or deficient crops; both because we know that the fluctuations of the price from year to year are chiefly caused by the seasons, and because other causes of alteration of price are usually more gradual in their operation, and more permanent in their effects.

Thus with respect to the years 1799 and 1800, there can be no reasonable doubt that the remarkably high prices of those years were chiefly caused by deficient crops.

But as it is only from the fact of the price being above or below the surrounding level that we can infer that the crop has been abundant or otherwise, the longer the period of the elevation or depression of price, the less reason have we to infer that such elevation or depression is caused by the seasons. Suppose history had not disclosed to us the fact of the discovery of the mines of America; should we have been justified in attributing the rise of the price of

corn in the middle of the sixteenth century to a variation of the seasons, merely because we were ignorant of any other cause of its elevation? Would not rather the permanence of the effect have argued some cause more permanent and more regular in its operation? The winds have a considerable effect upon the waters of the ocean; but what should we have thought of the philosophy of that man, who should, before the discovery of the influence of the heavenly bodies on the tides, have attributed the whole of the periodical rise or fall of the sea to the winds.

A passage from Mr. Burke's "Thoughts and Details on Scarcity," has of late been brought forward as an authority for the doctrine of what are called "cycles" of good and bad crops. "Years of scarcity or plenty," he observes, "do not come alternately or at short intervals, but in pretty long cycles and irregularly;" for the same purpose a passage from the Wealth of Nations is cited, in which it is observed, that there had been a succession of bad crops for ten or twelve years before the publication of that work in 1776; and Mr. Tooke, one of the most intelligent of the witnesses examined before the Agricultural Committee, has advanced the same doctrine.

Combining these three authorities, and looking to the periods which they respectively adduce as instances of these cycles, the result is not a a little singular. Dr. Smith specifies the ten years prior to 1776 as an instance of a succession or cycle of bad crops. Mr. Burke, in a passage of the work already alluded to, which was written in the year 1795, mentions the twenty years prior to the date of that publication as a specimen of bad cycle. "Wages," he observes, "have been twice raised in my time, and they bear a full proportion, or even a greater than formerly, to the medium of provision during the last *bad cycle* of twenty years." Mr. Burke's cycle of bad years therefore commences a year before the period at which that of Dr. Smith ends. Next comes Mr. Tooke, who quotes these names as authorities for the doctrine of cycles, and he thinks that the thirty years previous to the harvest of 1820 had been a bad cycle. "During the last thirty years," he observes, "there has been a preponderance of bad seasons. During that period there have not been two seasons in succession which have been considered as above an average." Thus Mr. Tooke's bad cycle commences four or five years before the termination of Mr. Burke's, and Mr. Burke's bad cycle commences a year before the

termination of Dr. Smith's, so that from the year 1766 to the year 1820, there have been three cycles of bad crops, and those without any intermission.

On reference to the prices of corn, we may certainly observe a considerable rise of price about the 1766, as noticed by Dr. Smith. The average price for the preceding ten years having been but 1*l.* 19*s.* 9*d.* the quarter, whilst the average price of the subsequent ten years was 2*l.* 11*s.* 5*d.*, being a difference of about 12*s.* the quarter. This however was not a temporary rise. The average price for the eighteen years subsequent to the ten of which Dr. Smith speaks was 2*l.* 10*s.* the quarter; and if we take into the account the debasement of the coin during those ten years, which Dr. Smith calculates at eight per cent., and which was remedied by the recoinage of 1774, it will be found that the price for those ten years was somewhat *lower* than for the next eighteen. The true cause of this rise of price, in all probability, was the increasing population and the increased cost of providing the additional produce for that increasing population, according to the principle which I have endeavoured to explain in my former publication. This opinion is confirmed by the fact of the very great increase of the population between the

year 1760 and 1780, in which interval the great rise of price took place. On reference to Mr. Rickman's Preliminary Observations to the Population Abstract, it will be found that the population increased at a rate far more rapid during this interval, than at any former period. At about the same period too, namely, between 1766 and 1773, our imports of corn began to exceed our exports, and we have since been a regularly importing, instead of an exporting country.

Dr. Smith, who was not aware of the principle above alluded to, and who could not anticipate what the price of corn would be for the next eighteen years, had certainly more show of reason in attributing the high price to a succession of bad seasons, than those who have lately adopted his opinion.

Next, with respect to the increased importation from Ireland, as another of the supposed sources of abundance.

The reader is probably aware, that from the beginning to the middle of the last century, England was in the article of corn a regularly exporting country; but that between the latter period and the year 1770, the tide began to turn, and has ever since set in the opposite direction. Since the year 1770 the imports have

always, with the exception of three or four years, exceeded the exports, and that excess has been regularly progressive. This is the course in which improving nations naturally move: they begin by exporting rude produce for manufactures; as they grow more wealthy they export less corn, and fabricate more manufactures; and in a further stage, they export manufactures only, and receive rude produce in return from nations less advanced than themselves.

A great part of this increasing import of corn has been from Ireland; the late wars, however, did not, during their continuance, prevent our receiving from foreign countries a much larger supply than at any former period.

The yearly average quantity of all sorts of corn, grain, meal, and flour, imported from Ireland and all other parts,

From 1773 to 1793, was about 460,000 qrs.
From 1793 to 1813, ... 1,240,000 qrs.
From 1813 to 1819, ... 1,740,000 qrs.

The average annual increase, therefore, of importation for the ten years ending in 1819, above that of the preceding ten years, was about five hundred thousand quarters; which, taking our annual consumption at fifty million quarters, namely, ten millions of wheat, thirty millions of

oats, and ten millions of barley and all other kinds of grain, is one hundredth part of our annual consumption, a portion totally inadequate to account for any considerable part of the depression of price.

If, indeed, we consider the amount of *wheat* alone imported into this country for the last eight years ending in 1819, we shall find that the quantity imported from Ireland, and all other parts, has been actually less than the quantity imported for the preceding eight years; the increase of imports from Ireland having been more than balanced by the diminution of the imports from other countries.

Next, as to the third supposed source of abundance, namely, the increase of tillage which the high prices and obstacles opposed to importation during the war occasioned.

It is not very easy to comprehend in what way those, who attributed the depression of the price of corn to the increase of tillage during the war, supposed this cause to have operated. That during the whole period of the late wars up to the year 1814, the produce of the country was annually augmenting there can be no doubt. During that period, immense tracts of land were brought into cultivation; inferior soils, which had before afforded nothing but a scanty pas-

ture, were forced at an immense cost to bear successive crops of corn; expensive improvements were made, and new modes of husbandry adopted; all of which augmented the annual produce in a very great degree. All this is matter of fact which cannot be disputed. But it can be as little disputed that this increasing produce, up to the year 1814, was not more than sufficient to feed the increasing population; that up to that period the demand had even outrun the supply: and that the price of corn was even more than sufficient to remunerate the grower of the most expensive portion of the crop. How comes it, then, that such increased tillage, which, up to the very end of the war, was not more than sufficient to supply the then population, should for several years afterwards produce a superabundant supply for a population considerably augmented?

If on the cessation of the war, and the consequent removal of the obstacles opposed to importation, the commerce of corn had been left free, and the imports had very considerably increased, in such case the improved and extended cultivation of the war would certainly for a time have occasioned a superabundance of supply, as it would have been impossible to have immediately reduced our own growth in proportion to the addi-

tional quantity imported. But the whole excess of corn imported since the war, beyond that imported during its continuance, has been so trifling, that the increase of population alone would be much more than sufficient to absorb it.

It is too a fact which cannot be disputed, that the improved and extended cultivation of the war had been, from the date of its termination to the year 1822, when Mr. Ricardo wrote, in a course of very considerable deterioration and contraction. Our own experience, and all the evidence detailed in the Report of the Agricultural Committee of 1819, prove this fact beyond a possibility of contradiction.

The first witness examined before the Committee states that fewer labourers were employed, the stock kept on the farms diminished, and the green crops reduced, as compared with the period before 1814. The second witness states, that cultivation had deteriorated, and that his tenants neglected to manure in the way they had done, and to purchase lime in the same quantities. The fourth witness says, that many farmers had been under the necessity of altering their system of tillage considerably by reason of want of capital within the three preceding years, that they had been more economical and frugal, which had diminished the quantity both

of green and corn crops; that the use of lime, and the production of grain, had considerably decreased within the last three years; that although the number of acres under cultivation were as many as there had been three years before, the produce per acre was very deficient in consequence of the want of proper tillage and manure.—The next witness states, that the employment of labour on farms had been withdrawn considerably within the last two years.—The next witness speaks to the deterioration of cultivation, the considerable diminution in the purchase of manures, the lessened employment of labour on farms. In short, there is not one witness, to whom the question is put, who does not speak to the fact, that considerably less labour, less manure, and less capital, had been employed in cultivation after than before the year 1814; not one, who does not speak to the considerable deterioration of tillage and diminution of production, so much for the evidence of the fact of an increased production from improved cultivation. It does appear impossible, looking to all this evidence, to arrive at the conclusion, that the depression of price could have arisen from superabundance caused by the increased cultivation of the war.

After this examination of the several supposed

sources of superabundance, I think every one will acknowledge that such superabundance had no foundation in fact. That there was no ground for the supposition of the seasons having been more favourable, and the crops more abundant, since 1814, than they had been for twenty years before: that the increased importation from Ireland and foreign countries had been so small, as to make no sensible impression on the price of corn; and that our own tillage, instead of advancing in extent or improvement since 1814, had been continually retrograding even to the moment when Mr. Ricardo wrote; and all this with an increasing population which would require an increasing supply to feed it.

What was it then which caused the long continued depression of price after 1814? The answer appears to me so obvious, that had it not been for the opinions of Mr. Ricardo and other persons, whose opinions on these subjects are certainly entitled to great weight, I should have feared that in giving it, I was enunciating a truism.

The main cause of such depression was clearly the diminished employment, and consequently diminished wages of the labouring classes of the population; in a word, a diminished demand arising from the diminished means of payment.

Of the fact of such diminution of employment and of wages, there can be no doubt; the distress, first of the manufacturing, and afterwards of the agricultural districts, the increase of the parochial rates, the increase of crime which always attends such distress, too clearly evinced the fact. It will be necessary, however, in order to shew how such distress affects the price of corn, to make a few observations on the laws which regulate price.

CHAPTER II.

ANALYSIS OF PRICE.

No topic of political economy has occasioned more doubt, and difficulty, and discussion, than the laws which regulate price: the very discussion which they have undergone proves the importance of a correct analysis of them to the science. They lie at the very threshold of every inquiry into wages, profits, and rent, and meet and cross us in almost every other investigation; and yet no two writers are agreed as to the principles of price, each endeavours to draw us in a different and often opposite direction.

According to Dr. Smith* the market-price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity. This expression of Dr. Smith is clearly not quite correct; he confines the demand, to those who are willing to pay the natural price of the commodity; because, as he says, their de-

* P. 84. B. i. c. 7. vol. i.

mand alone can effectuate the bringing of it to market. But the price is constantly influenced by the demand of those who are willing to pay less than the natural price; for instance, where the quantity is more than sufficient to supply those who are willing to pay the natural price; in such case the demand of those who would not pay the natural price, but who are willing to purchase at a smaller, comes into play and affects the price.

According to Mr. Ricardo* the opinion, that the price of commodities depends solely on the proportion of supply to demand, has been the source of much error. But Mr. Ricardo, as well in the chapter from which these words are quoted, as in other parts of his celebrated work, and also in his treatise "On Protection to Agriculture," has entirely mistaken the sense in which the term "demand" is used by Dr. Smith, and all those who contend for the truth of the above proposition. "The demand for a commodity," says Mr. Ricardo, "cannot be said to increase, if no additional quantity of it be purchased or consumed." Mr. Ricardo therefore measures the amount of the demand for any commodity solely by the quantity purchased or consumed: but it is obvious that this cannot be the meaning of the term

* Polit. Econ. p. 343, first edit.

"demand," when demand is said to raise price; the lower the price the greater usually is the purchase and consumption. Nor is this the common or popular acceptation of the term.

According to Mr. Macculloch* it is the cost of production which is the *sole* regulating principle of price. But if this be so, how can we explain the oscillation of price to either side of the natural price: if this were the true principle, the market-price and the cost of production or natural price would always concur. The cost of production is to price what gravity is to the pendulum—gravity is constantly drawing the pendulum to the centre of oscillation, as the cost of production draws price to the natural price. But to make the resemblance perfect, we must consider the pendulum as constantly receiving new impulses of different degrees of force, as price receives different impulses from the varying forces of demand and supply.

Mr. Malthus adopts Dr. Smith's proposition with however a different and improved definition of the term "demand." He defines "demand" to be the will combined with the power to purchase; and considers that the amount or intensity of the demand depends upon the degree of this will and power. There can, I think, be little

* Supplement to Ency. Brit. title Polit. Econ.

doubt that Mr. Malthus's proposition is of all these the nearest approximation to the truth; but I do not think it has quite reached the mark.

In the first place there may be a demand, a demand too which will enhance the price without any power to purchase, as every day's experience proves. A horse is put up to auction and is sold to the highest bidder, who alone therefore has the power to purchase; but the bidding or demand of the next highest bidder is a demand which enhances the price of that at which the horse is actually sold.

Again as to the term "supply;" does that term mean the quantity merely brought to market or exposed to sale? If it does, that term is not quite correct. The price will depend not only upon the actual quantity exposed to sale, but also upon the quantity of it in the different stages of its progress of growth, or manufacture, or towards the market; upon the period also within which the supply can be increased, and various other circumstances, as whether the commodity is durable or perishable, &c. In a word, as the term "demand" should, and indeed does, embrace all the motives to bid for, or purchase, upon the part of those who wish to buy; so should we also have a corresponding term to include all the motives to offer for sale or sell, on the part of those who

have the commodity to sell. The term "supply" does not embrace all these particulars, and for this reason must the proposition, of the price being regulated by the proportion between the demand and supply, be always defective.

The term "competition" would perhaps be the most accurate term to use as applied both to the buyers and sellers: and then the proposition would stand thus; the price of every commodity is regulated by the proportion which the competition of the demanders of that commodity, to buy it, bears to the competition of those who wish to sell the commodity, to sell it.

It certainly however would not tend to extricate the subject of price from the maze in which it has been entangled, to adopt any new theory, at least till after a most careful investigation; and I shall therefore follow Mr. Malthus's proposition with some alteration however of the definition of the term "demand;" first explaining the grounds, on which I am convinced that it is the nearest approximation to the truth hitherto made, and that no error can result from its adoption, if it be applied cautiously, and with due attention to the precise meaning of the terms.

Before however I proceed to this analysis, I must make one or two other observations upon the proposition that price is regulated by the

proportion which the supply and demand bear to each other.

The demand, according to Mr. Malthus, means the will combined with the power to purchase, and the greater this will and power, the greater, says Mr. Malthus, may be said to be the demand. But when the supply is such as that the article is sold at a low price, the intensity of the demand of those, who would if necessary give a high price, does not shew itself. These are the words of Mr. Malthus; "as long as the abilities and competition of the sellers induce them to bring the quantity wanted to market at a low price, the real intensity of the demand will not shew itself." But how can an intensity of demand, which does not shew itself, tend to raise price? When the demand is said to raise the price of a commodity, the term demand must mean the *actual* competition or bidding or offering for the commodity. It must mean a demand *in esse* and not a demand *in posse*.

It appears to me that the demand alone will regulate price; and the demand will depend upon the wants and means of the purchasers or bidders and the scarcity of the article, or in more technical language, the demand will vary with the wants and means of the demanders directly, and the quantity of the commodity in-

versely. Demand in this sense will regulate the price of every article, and the demand will mean the actual demand of the market and not the possible demand.

In this sense of the term "demand," "the giving a greater price for a commodity does absolutely and necessarily imply a greater intensity of demand," as Mr. Malthus observes; but not in the sense in which Mr. Malthus uses the term "demand;" as there may be an intensity of demand, according to his sense of the term, which does not shew itself, and the increase or diminution of demand which does not shew itself cannot affect the price.

Again, price, meaning of course the money price, the demand must necessarily mean the demand expressed or measured in money, and this is an answer to an observation of Mr. Ricardo's. "If," says he,* "the value of money were to fall, the price of every commodity would rise, for each of the competitors would be willing to give more money than before on its purchase; but though its price rose ten or twenty per cent, if no more were bought than before, it would not, I apprehend, be admissible to say, that the variation in the price of the commodity was caused by the increased demand for it." It

* P. 511.

is clear then that Mr. Ricardo, in this passage, does not mean by the term demand, money demand, he must mean demand expressed in something else; in labour, or some other commodity than money. But what does he mean by price, clearly the money price, as appears by the immediately subsequent passage. "Its natural price, its money cost of production," says Mr. Ricardo, "would be really altered by the altered value of money, and without any increase of demand, the price of the commodity would be naturally adjusted to that new value." It would indeed be absurd to say that the price, meaning the price in money, is regulated by the demand expressed in some other commodity, such as hats and shoes. When demand is said to regulate the money price, demand must of course mean money demand, that is, the demand expressed or measured in money.

The price of any commodity is the quantity of gold or silver for which it is bought and sold. It is indifferent whether the commodity be sold for ready money, or on credit, or for bank notes, or other paper; the quantity of gold or silver which is actually given, or engaged to be given for it, is equally called its price. If however the commodity be sold upon credit, the discount

and value of the risk, in order to be accurate, should be deducted from the sum engaged to be paid; and if the price be paid in coin which is degraded, or in notes, or paper which are depreciated, the *real* price is the quantity of gold or silver which the coin actually contains, or the paper actually represents or is worth, and not that which the coin purports to contain, or the paper purports to represent or be worth, which is merely its *nominal* price.

From the definition of price, it cannot subsist without a purchase and sale. There can be no purchase, unless there be in some individual the want of, or desire to possess, the commodity, and the means of purchasing it. No one *will* buy a commodity unless he want or desire to possess it, no one *can* buy it unless he have the means. In order too to effect a purchase, the want must be such as to induce a sacrifice of the means; for an individual may have both the want and the means, but the want may not be so urgent, or his means so ample, as to induce him to sacrifice the means necessary for the purchase.

The more urgent or pressing the want, the greater sacrifice of his means will the person entertaining it be willing to make, if necessary,

in order to satisfy it; and the larger the means of any individual, the more will he be willing to give to satisfy the same want.

The maximum of the price therefore which every one will be willing to pay, if requisite, for any particular article, will be in the compound proportion to his want of, and means of paying for such article; and the highest price which different individuals will give, if necessary, for any commodity, depending upon the wants and means of those individuals, will vary as infinitely as those wants and means.

But the purchaser will not pay the highest price he can afford, if he can obtain what he wants for less; no one will give a high price for a commodity, if he can obtain it at a low price.

If the supply of the article, or quantity of it for sale, be not sufficient to satisfy those, who are willing to pay the highest price, it will all be sold at that price; for each will endeavour to purchase, and the endeavour of each to get what he wants, will raise it to the highest price. If the supply be more than sufficient to satisfy those, who would pay the highest price, some of it must be sold to those who are willing to pay a smaller price; but as those who will pay a larger price, if necessary, to obtain it, will not

pay more than those whose wants or means are more limited, the price of the whole will fall to the price of the lower bidders.

Let us suppose for the sake of illustration, that a certain number of persons wish to purchase any particular commodity; and let us divide them into classes according to the maximum of the price they would be willing, if necessary, to pay for it. Let the first class be willing to give 10*s.* a pound for a certain quantity of it, the next class 9*s.* for a given quantity, and so on to the lowest, whose maximum of price is 1*s.* the pound.

If the quantity of the article for sale be less than sufficient to satisfy the first class, then as each of that class is willing to give 10*s.* a pound for it, but no one more, the whole will be sold to the first class at 10*s.* a pound; for each will endeavour to get the quantity he wants, and the competition of the different individuals of the first class will fix the price at 10*s.*

If there be just sufficient to supply the first class, then the price will settle at some point between 10*s.* and 9*s.* a pound; it cannot fall to 9*s.*, for if it should, the second class will get a portion of it, and those who bid more will go without it.

If there be more than sufficient to supply the

first, but not enough for the second class, the price of the whole quantity will settle at 9*s.* a pound; as a part, if sold at all, must be sold to the second class at 9*s.*, and the competition of the first class will not induce them to give more than the other purchasers; and the price of every commodity therefore will be fixed by the wants and means of the lowest class to whom the supply extends.

We may then adopt either of the propositions which I have mentioned; either that price is regulated by the proportion which the demand and supply bear to each other, or that it is regulated by the demand alone. If we adopt the former proposition, we must of course consider the demand as meaning the wants and means of the demanders, or the highest price which they would give under any circumstances; and that the actual price is enhanced or diminished, as the scarcity or plenty of the supply calls forth a greater or lesser expression of the demand. If on the other hand we adopt the latter proposition, that price is regulated by the demand alone, the demand then means the actual demand, which will depend not only upon the wants and means of the demanders, but also upon the scarcity of the article. The supply of the article will then be considered as an element of demand, and the

demand will increase or diminish according to the scarcity or plenty of the article. I have, as I said before, adopted the former proposition, not as being so correct as the latter, but that I may not make confusion worse confounded, by introducing a new theory which is not familiar to the reader.

With respect to the term "means," it is intended, as before mentioned, to express by it pecuniary means; but it will of course include not only the means of purchasing by actual coin or cash, but those also of purchasing by notes, or bills, or credit.

CHAPTER III.

DEMAND FOR CORN, HOW REGULATED.

The price of corn then, in a given state of the supply, will be settled by the demand, or the wants and means of the lower orders of the community; and supposing their wants to be unchanged, any variation in the amount of their means must affect the price of corn.

The whole population are consumers of bread, their means of purchasing, however, are very different; and the price of bread will not depend upon the ability or means of the higher or richer classes, but wholly on those of the lower or labouring classes. If the incomes of all the higher classes of society, and of all those who can always, whatever may be the price, command as much bread as they desire, were increased; they would consume no more bread, nor would the demand for it be increased. But not so with the poorer or labouring classes; those classes have rarely, if ever, as much even of bread as they desire. It is clear that they have not as much as they desire in average years, for if they

had, the smallest addition of a more abundant year would not be consumed.

"The capacity of the human stomach," says Dr. Smith, "is limited." The limits, however, of desire and necessity, are very different. There is a wide interval between satiety and starvation. This is clear, when we consider the different degrees of consumption of bread of the labouring classes in years of different degrees of produce. It is by the rise of price and consequent contraction of consumption of the poorer classes that a scanty crop is made to last throughout the year, and by the fall of price and consequent expansion of the consumption of those classes, that an abundant crop is disposed of.

It is clear, therefore, that even though the poorer classes might usually have as much food as their necessities require, they have not, except in unusually abundant years, as much as they desire; and that any increase of the incomes of those classes will immediately increase the demand for corn, as every one will endeavour with his increased income to purchase more bread. Increase the incomes of those who have always as much bread as they desire, and you will not at all affect the demand for corn: but increase the incomes of those who have not

usually as much as they desire, in other words, increase the wages of labour, and you will of course increase the demand for bread, as each will endeavour with his increased revenue to purchase more.

To prove this proposition incontestably, it is admitted on all hands that if, by the influx of the precious metals, the value of them were lowered, for instance, to one half, every thing would be doubled in its money-price, with the exception of articles on which there might be a fixed tax or charge. Bread, therefore, would be doubled in price; but how could this be effected but by a proportionate increase in the pecuniary means of the lower orders? Again: suppose the pecuniary means of the lower orders were diminished by one half, it is clear that they could not pay so much as they do at present for food, which is now supposed, I believe, to amount to about two-thirds of their means.

Mr. Ricardo* allows that "a fall in the value of money, in consequence of an influx of the precious metals from the mines, or from the abuse of the privileges of banking, is *a cause for the rise of the price of food*; but it will make," says Mr. Ricardo, "no alteration in the quantity produced. It leaves undisturbed too the

* Page 207.

number of labourers as well as the demand for them; for there will be neither an increase nor a diminution of capital. The quantity of necessaries to be allotted to the labourer depends on the comparative demand and supply of necessaries, with the comparative demand and supply of labour, money being only the medium in which the quantity is expressed; and as neither of these is altered, the real reward of the labourer will not alter. *Money wages* will *rise*, but they will only enable him to furnish himself with the same quantity of necessaries as before. Those who dispute this principle, are bound to show why an increase of money should not have the same effect in raising the price of labour, the quantity of which has not been increased, as they acknowledge it would have on the price of shoes, of hats, and of *corn*, if the quantity of those commodities were not increased. The relative market value of hats and shoes is regulated by the demand and supply of hats, compared with the demand and supply of shoes, and money is but the medium in which their value is expressed. If shoes be doubled in price, hats will also be doubled in price, and they will retain the same comparative value. So if *corn*, and all the necessaries of the labourer, be doubled in price, labour will be doubled in price also; and while there is no interruption to the usual demand and supply of

necessaries and of labour, there can be no reason why they should not preserve their relative value."

Of the general correctness of this reasoning there can be no doubt, but the same conclusions might, it is apprehended, have been arrived at by a much shorter route. If *corn* be doubled in price by the fall of the value of money, the wages of labour must necessarily be doubled in price; for the price of corn, the quantity remaining the same, can only be increased by an increase of the wages of labour. The increase of the wages of labour must precede the increase of the price of corn; for by what other means can the price of corn, the quantity remaining the same, be raised but by an increase of the demand? and how can that increase of demand take place but through an increase of the pecuniary means of the consumers, that is, of the labouring population? The only medium through which the price of corn, the quantity remaining the same, can be increased, is an increase of the wages of labour.

In a passage, however, immediately preceding that which has just been cited, Mr. Ricardo expresses himself thus: "When a high price of corn is the effect of an increasing demand, it is always preceded by an increase of wages, for

demand cannot increase without an increase of means in the people to pay for that which they desire—an accumulation of capital naturally produces an increased competition among the employers of labour, and a consequent rise in its price. *The increased wages are not immediately expended on food,* but are first made to contribute to the other enjoyments of the labourer. His improved condition, however, induces and enables him to marry, *and then the demand for food for the support of his family naturally supersedes that of those enjoyments on which his wages were temporarily expended.* Corn rises *then* because the demand for it increases, because there are those in the society who have improved means of paying for it."

In this case then, when wages rise not from any fall of the value of money, but from an increased demand for labour, the price of corn will not rise immediately, according to Mr. Ricardo; but the increase of wages will first be expended upon other articles. But how is the labourer to know whether the increase of his wages arises from one cause or the other? Will the labourer be able to settle this question which has puzzled all the political economists of the present day? He finds his wages increased, the cause of the increase he does not inquire, and the effect upon

his demand for bread would be the same in both cases. The only difference would be, that if the increase of wages arose from a fall in the value of money, the cost of production of corn would rise in the same proportion as the price, and there would be no motive to increase production. If the increase of wages arose from an increase of demand for labour, the price of corn would rise without a corresponding increase of the cost of production, and more would be produced till the price were reduced to its natural price. The demand for corn then, and the price of it in a given state of the supply, must vary with any variation of the wages of labour, including in those terms the pay of the army and navy, &c.

The fluctuation of the demand for corn, and the fluctuation of its price arising from the fluctuation of demand, have never been at all adverted to by Dr. Smith or any other author. On examining their works, we should hardly suppose that they considered the price of corn to be regulated by the same laws as every other commodity, namely, by the demand and supply. The very terms "demand for corn," will, with the exception of the passage just cited from Mr. Ricardo, hardly be found to have been used by them. Dr. Smith, Mr. Ricardo, and Mr. Malthus, all dwell upon the proposition that the

wages of labour are regulated by the price of corn; but Dr. Smith and Mr. Malthus do not touch at all, and Mr. Ricardo very lightly, upon the obvious proposition that the price of corn depends much more upon the wages of labour, and follows any variation of the wages of labour much more immediately than the wages of labour follow any variation in the price of corn. It is obvious, from what has been already stated, that any alteration of the wages of labour must immediately affect the demand for, and whilst the supply remains the same, the price of, corn; whereas, the wages of labour can adapt themselves to the price of corn only through the medium of an accelerated or retarded rate of increase of population, the effect of which must be comparatively slow. The silence of all writers upon this point may probably be attributed to the opinion, which is expressed by Mr. Ricardo in the passage above cited, that the demand for corn will depend on the population merely, the changes of which are usually slow and gradual. It does appear that there is a series of errors on this subject, originating probably in the supposition that the wages of labour are always the same or nearly the same. Dr. Smith fell into this error, and supposed that the wages of labour are very little subject to variation; and Mr. Ri-

cardo builds his whole doctrine of wages, profits, and taxes, from the same assumption, namely, that the *real* wages of labour are always the same or nearly the same.

This opinion has originated partly from considering agricultural wages only, and not manufacturing wages, and partly from not considering the *amount* of wages, but the *rate* merely. In agricultural districts, the wages of labour are rarely, if ever, in their natural state; they are constantly under the baneful influence of the poor laws, which prevent their rising so high, or falling so low, as in manufacturing districts. The rate of wages is not an accurate measure of the amount of the pecuniary means of the labouring classes, or of the general amount of wages, without taking into the account the number of hands employed, the quantity of employment with which those hands may be furnished, or the number of days and hours they may work.

Thus the rate of wages may be the same whilst the amount of wages paid, which will constitute the means of the labouring classes, may vary very considerably. In a slack trade it frequently happens, that instead of diminishing the rate of wages, the master turns off some of his hands, and employs the remainder fewer days in the week, or fewer hours in the day.

Wages may appear to be the same, for they may be paid according to the same rate for each workman for the day; but if half of them are thrown out of employment, and the other half are employed only three days in the week instead of six, the amount of wages is really only one fourth of what it was before.

Again, in agriculture or in manufactures, where men are paid for taskwork or by the piece, the rate of wages for a given quantity of work may remain the same; but if the master, instead of giving the labourers full employment for the usual hours of the day or even for extra hours, which is not unfrequently the case in a brisk state of trade, employs them for half or one third of the day only, the amount of wages is really diminished in that proportion.

In the year 1817, a period of great distress in the manufacturing districts, it appears that in he trade of cloth dressing, at Leeds, Huddersfield, Wakefield and Halifax, one-third of the workmen were wholly out of employment; about one-third had only half employment, and the other third alone had full employment. Wages, therefore, in this instance, were reduced one half; even supposing, which was not the fact, that the rate of wages for the work done were the same. Again, in the same year in Birmingham, one half

of the population were wholly out of employment, and the rest were at half work, a diminution of the *amount* of wages, if the *rate* had been the same, of three-fourths.

But in these and almost all the manufactories the *rate* of wages had been also reduced, I believe one-half, and in many of them more. Thus with respect to the population engaged in the iron trade; the miners, who, in the year 1810, received from 18*s.* upwards as far as 2*l.* 2*s.* a week, in 1817 got from 10*s.* to 18*s.* only; the manufacturers of arms, who had received still higher wages from the demand occasioned by the war, got in 1817 only 7*s.* 6*d.* when they were employed at all; the nailers, who were better off than most classes, earned no more than 8*s.* or 9*s.* instead of 12*s.* or 15*s.*; and the common artificers were working at 1*s.* a day, and in all these classes the women and children, who used to earn so much as nearly to double the gains of the able workmen, were in 1817 wholly unemployed.

Looking again to the cotton manufacturers in Lancashire, the wages of labour will appear to have been reduced in a still greater degree, and taking the whole of the manufacturing districts, it would, I believe, be understating the diminution of wages in the year 1817, as

compared with those of 1812 and 1813, to say that they were reduced to one-fourth of their former amount.* Again, with respect to the years 1819 and 1820, let us refer to the very instructive evidence of Mr. Attwood as detailed in the Report of the Agricultural Committee.—"The Report," says he, "of the Committee (appointed by some of the principal people at Birmingham, to inquire into the state of the consumption of meat, beer, and other necessaries), was, that in the last two years, from the Midsummer of 1818 to the Midsummer of 1820, the consumption of the necessaries of life in Birmingham, had fallen off one-half; but we thought that to be too much to be perfectly correct, and we reduced the statement in the Report to one-third; had we taken our average from 1813 we were all convinced that the result would have been of a more distressing description." Mr. Attwood then gives in a table of the number of hides and skins inspected at different places, which shows a very considerable diminution of the consumption of meat. The same gentleman states after-

* Mr. Brougham's speech on the state of trade. Parliamentary Debates, vol. 35, p. 1006. Petition from ribbon and silk weavers, ib. vol. 40, p. 338. Mr. Bennet's speech, ib. vol. 41, p. 890. Petition from Leeds, ib. vol. 35, p. 322.

wards, that it was decidedly his opinion that though the produce had been very much reduced, the demand had been reduced in a still greater degree; and that the markets in consequence were glutted. Again, as to labour, Mr. Attwood states, that he considered that the price of agricultural labour had fallen one-half since 1813; in many cases, however, he says, the labourer's wages have not fallen at all since 1813; he keeps them up partly by a reluctance of his employer to interfere, and partly by the ignorance of the employer and himself. I have known cases when the labourers have positively refused weekly wages of 30*s.* per week for six days work, preferring to obtain 12*s.* per week and two days work, rather than they would consent to have their wages fallen from 36*s.* to 30*s.* per week. He states the same fact also as the wages of mechanics. He then says that the impression upon his mind is, that the fall of the wages of labour had been greater than the fall of the price of commodities upon which the labourer exists. He then shews the great fall which had taken place in the wages of agricultural labour, and of colliers, and of all classes of men engaged in the manufacture of iron, and the productions of coal and iron stone, as also in the cotton districts.

We have not room for any more extracts at present from this gentleman's evidence, but must refer the reader to the evidence itself as containing much more instruction upon the subject of the price of corn, and other necessaries for labourers, than all the theories of political economists. There is a great deal more evidence in the same Report of the fall of the wages of labour during all the years subsequent to the war; and particularly in 1818 and 1819. Political economy is a practical science, is founded on fact, and can be advanced only by an attention to facts. It is a science most greedy of facts, and is worse than useless, when in order to maintain a favourite theory we blind ourselves to facts.

Can there, after this analysis of the principles which govern the price of corn, and after this proof of the variation of the amount of wages, both in the manufacturing and the agricultural districts, be any doubt that the rise and fall of the price of corn must often be caused by a fluctuation of demand attending the variation of the amount of wages?

Other causes no doubt affect the price of corn, particularly the fluctuation of the supply, caused by the variety of the seasons; and these different powers will of course sometimes act

in conjunction, and at other times in opposition, to each other. This circumstance of course, would make it very difficult to follow the fluctuation of the last thirty years, and to point out when the one cause, and when the other, might be operating. But there are some peculiar coincidences which will, it is apprehended, though the author is aware how in this subject facts may be adduced to support any possible theory, tend to fortify his reasoning.

It will be admitted that at no period of our history, has the manufacturing population borne so large a proportion to the agricultural, as during these last thirty years; that at no former period have the fluctuations of our trade and manufacturers been so great and rapid; or the alternations of luxury and distress of the manufacturing population so frequent and sudden; and what has been the fact with respect to the price of corn during the same period? The fluctuation of it has been most extraordinary as will be seen in the chart ~~subjoined~~ to this tract.

The proposition, that the manufacturing population bears a greater proportion than formerly to the agricultural, may seem at first sight at variance with another proposition,

which the author stated in a former publication, and which is certainly true; that in a progressive country each additional portion of produce necessary to feed the increasing population generally requires a greater amount of labour to produce it on account of the necessity of resorting to inferior soils; from which it would seem to follow that the labour of a larger proportion of the population would be necessary to provide food for the whole.

In the first place, however, this usual law of the progress of a country is, as stated in the same publication, liable to exceptions of considerable periods; as the effects of resorting to inferior soils may be counteracted by new subdivisions of labour, new inventions of machinery, and improved modes of husbandry, which may at one stage enable the same labour to raise as much from inferior soils as it could in a former stage from the better.

In the next place, even though the *additional* portion of produce may require a greater proportional labour to produce it, it does not follow that the *aggregate* of the produce raised requires a greater proportional labour, as the improvements above mentioned may diminish the labour necessary to produce food on the best

soils, in the same or even in a greater proportion than it is increased by resorting to inferior soils.

But neither of these two possible cases was the fact *generally* in England these last thirty years; as it appears clearly from a variety of evidence, that the net produce has generally borne a less proportion than formerly, to the gross produce, and consequently to the capital or outlay; though in parts of Scotland it does appear that the net produce did increase even in proportion to the gross produce.

We still have therefore to reconcile these two apparently contradictory propositions, that the aggregate produce of the country during the last thirty years required a greater proportional labour to raise it, and that the population engaged in agriculture has nevertheless diminished in proportion to that engaged in trade and manufactures. They may be reconciled by means of two facts; the one, the more minute subdivision of labour, and more complete separation of agricultural and manufacturing business; the other, the increased activity and exertions of all classes, agricultural among the rest; the effect of which of course has been that the same number of labourers have raised a larger produce.

With respect to the first fact, many of the

articles of clothing and of domestic use, which were formerly made in the farm house or the cottage, are now purchased at the neighbouring town. The women no longer spin or knit, but are often employed in the field. The manufacture even of many of the implements of husbandry, which were formerly made in the village, is become a distinct business, often carried on even in London, and at other large manufacturing towns. A great part therefore of what used to be the employment of the agricultural labourer, is now performed by the manufacturer.

The other fact of the increased exertions and activity of all classes needs no proof, but there is one singular effect of an increased exertion of the labouring classes which has never been noticed, and which bears most directly and forcibly upon the present inquiry.

Suppose the exertions of all labourers to be doubled, the rate of wages for the quantity of labour remaining the same; the rate of wages for each person for a day or any given time would be doubled, for he performs double the labour. Now the rate of wages for the quantity of labour would not be increased; the same quantity of labour would be performed for the same money; and consequently the cost of production would not be increased. But the means

of all the labouring classes would be doubled, and the demand for corn depending upon their means would rise almost in the same proportion. The cost of production then not being increased, and the price being almost doubled, the profits would be also increased enormously. So necessary is it to distinguish between the rate of wages, meaning the amount earned by any individual, and the rate of wages, meaning the rate for a given quantity of labour.

With respect to the alternation of luxury and distress of the manufacturing population, the fact is too recent and too notorious to require proof. It would however be most desirable to mark particularly the periods of those alternations, and the degrees of their elevation and depression, and particularly the gross sums expended in payment of wages during that period. The rates of wages give, as I have before mentioned, but little assistance in any investigation, unless we know the amount of them. Some of the proofs of this alternation must have made an impression even upon those who might not attend particularly to these subjects. It will be remembered that at one time it was stated that the wives and daughters of journeymen used the most expensive articles of dress, such as silk stockings, &c.; at other times, any one who

may have passed through any of the northern counties, may have seen troops of the manufacturers wandering about the country for want of employ, ragged, apparently wasted from want of sufficient food, and frequently soliciting charity of every traveller. I have not materials for this history, nor do I think there are any sufficiently accurate for the purpose, though one cannot but wish that the picture were taken before all traces of the impression were effaced from the memory of those who must have witnessed these scenes. It may perhaps be allowed to express the same wish with respect to the change of agricultural manners. In no former period have they undergone so complete a change, many, perhaps most of us, already feel a difficulty in representing to ourselves what they were between thirty and forty years ago, and all memory of them will soon have passed away, unless they are recorded.

As to the fluctuations of the price of corn during these last thirty or thirty-five years, though they are generally known to have been very great, they were in fact much more considerable than most of my readers are perhaps aware. The tables of the prices of corn have been generally so framed as not to afford a full view of their fluctuation.

Upon reference to the Windsor Table of the Lady Day and Michaelmas prices of wheat, it will be observed that in almost every instance of any considerable rise or fall of price, such rise or fall commences, as might have been expected, at Michaelmas, the period of the harvest, and not at Lady Day; and that the Michaelmas and ensuing Lady Day prices are much more nearly upon a level than the Lady Day and subsequent Michaelmas prices; for instance, the prices of Michaelmas 1795 and of Lady Day 1796. The price rises at that Michaelmas considerably, keeps upon nearly the same level the following Lady Day, and falls again the ensuing Michaelmas, as appears by the following extract.

	£.	s.	d.	
Lady Day, 1795 . .	3	11	0	per qu.
Michaelmas, 1795 . .	4	12	0	
Lady Day, 1796 . .	4	16	0	
Michaelmas, 1796 . .	3	4	0	

Again, the extraordinary high prices at the commencement of the present century commence at Michaelmas 1799, and decline at Michaelmas 1801, as appears from the following extracts.

	£.	s.	d.	
Lady Day, 1799 . .	2	18	0	per qu.
Michaelmas, 1799 . .	4	12	8	
Lady Day, 1800 . .	6	6	0	
Michaelmas, 1800 . .	6	8	0	
Lady Day, 1801 . .	8	17	0	
Michaelmas, 1801 . .	4	0	0	

The averages therefore of the yearly prices should be formed by uniting the Michaelmas price of one year with the Lady Day price of the next, that is, if I may be allowed the term, by the harvest year; as this mode points out more clearly the fluctuations of each year. But the tables have usually joined the Lady Day price with that of ensuing Michaelmas; which mode of taking the averages is calculated to mislead, as it tends to spread the high or low price of one harvest over two years, and by such equalization inclines us to attribute the rise or fall belonging to a particular year to an alteration of the level of the price.

As an instance of this, both the years 1795 and 1796 appear, in the tables formed in the usual manner, to have been dear years, and nearly on a level; the price for the year 1795 being by those tables 4*l.* 1*s.* 6*d.* the quarter,

and that for the year 1796 4*l.* 0*s.* 2*d.*; but in fact, the bad harvest or dearness, however caused, was of the harvest year commencing in 1795; for it appears that the price rose upon that harvest 21*s.* the quarter, continued at about the same level the greatest part of that harvest year, and again fell about the period of the harvest of 1796, 32*s.* the quarter. The scarcity of 1795 no doubt, as is not unfrequently the case, raised the price of wheat by anticipation many months before it was reaped; the preceding winter having been very unfavourable to the crops;* and accordingly we may observe that the Lady Day price before that harvest had risen very considerably. The same bad harvest must of course also have raised the price of the succeeding harvest year, (which accordingly was above the average,) as a less quantity than usual would be kept in store for the succeeding year. But the highest price was during the harvest year 1795, the average for the harvest year of 1794 being 3*l.* 3*s.* 6*d.* the quarter, for 1795 4*l.* 14*s.* and for 1796 3*l.* 7*s.* 3*d.*; and the cause of this high price clearly was the deficient crop of that year, aggravated perhaps by some other circumstances.

But though the taking the averages by the

* See Burke's Thoughts and Details on Scarcity, p. 406.

harvest year shows more clearly the degree of fluctuations of price, and though it appears as I have shown, that these fluctuations commence their rise or fall generally about the period of the harvest; it must not be supposed that it follows from thence, that the whole of the rise or fall is caused by the seasons, and abundance or scantiness of the crop alone, as that rise or fall may be much aggravated or alleviated by other circumstances acting either in conjunction with or opposition to the seasons.

Thus of course a large surplus of the former harvest will aggravate the fall of price arising from a good harvest, and alleviate the rise from a bad one, a deficiency in the usual surplus of the former year will of course aggravate the rise caused by a bad harvest, and alleviate the fall caused by a good one.

Again, the higher the money wages of labour as compared with the usual price of corn, the more will the price be enhanced by the same deficiency of supply. Thus suppose that the rate of wages of each labourer were 1*s*. a day, and that he were obliged in average years to expend the whole of his wages in providing bread, if then the crop were deficient by one half, he could still lay out but his whole wages of 1*s*. for bread, and as the crop deficient by one

half would sell for as large an aggregate sum as the usual crop, which is double in amount, the price of bread would be doubled. Suppose again wages to be 2*s.* a day, and the usual expense of bread to the labourer to be half of his wages, or 1*s.*; in such case, were the crop deficient by one half, he would, in order to obtain the prime necessary of life, to which he would of course sacrifice every other object, lay out his whole 2*s.* in bread, and the half crop would fetch twice as much as the usual crop, and consequently the price of bread would be quadrupled. Mr. Gregory King tells us that one tenth of the defect of the harvest will raise the price of corn about three tenths above the common rate, that two tenths of defect will raise the price eight tenths, and that three tenths deficiency will double the price. Any calculation however of this kind must be very uncertain; but a few observations will bring home to every man's experience the fact, that any excess or deficiency in the supply of corn, lowers or raises its price much more than in proportion to that excess or deficiency, and that the greater the excess or deficiency, the larger will be the proportion which such fall or rise of price bears to such excess or deficiency. Thus it is well known that in a dear year every one pays a larger ag-

gregate sum for his bread, though each of the lower classes at least consumes less of it, and in proportion to the dearness of the year the greater is his expenditure for bread, and at the same time the less is his consumption. It is clear therefore that the whole aggregate sum paid by the community for bread will be larger in a dear year, and the consumption of it less than in an average year. From this fact, it follows as a mere matter of computation, that the price of corn rises more than in proportion to the deficiency of the crop. If in a dear year the same aggregate sum were paid for bread as in a cheap year, the price of bread would rise in exact proportion to the deficiency. Thus if the crop were deficient of an average crop by one half, and yet sold for the same sum, the price of each portion of the crop would be double of its price in an average year. But as the deficient crop sells for an actually larger sum than the average crop, the price rises more than in proportion to the deficiency. The same mode of reasoning, without repeating it, proves that an abundant crop sells for a smaller aggregate sum than an average crop, and that, consequently, the excess of the supply lowers the price of corn more than in proportion to such excess.

The contrast of the effects upon corn arising

from any excess or deficiency in the supply with those upon other articles which are not necessary, or at least less necessary to existence, is singular. With respect to many of these latter articles, when the price of them has risen, not only has the consumption of them decreased, but the actual aggregate sum expended upon them has also decreased; and when the price has fallen, not only has the consumption of them increased, but the aggregate sum expended upon them has also increased. This has been proved to be the fact with respect to tea, sugar, and other articles; an increase of duty upon them has actually diminished the aggregate amount of the duty, and a reduction of rate of duty has actually increased the aggregate amount of the duty.

The only further observation on this fluctuation of the price of corn to be made at present is, that an excess of supply does not, as may be seen from the tables, usually lower the price in so great a degree below the average, as any deficiency of supply raises it above the average; as in a plentiful year a part of the excess may be kept over to the following year; but in a scarce year, unless it may have happened that the preceding year has been a plentiful one, and therefore a larger surplus has been kept over than usual, or the defect be supplied by importation,

there are no means of supplying the deficiency.

We come now to another question, which has been the theme of considerable discussion and controversy, whether the demand of goverment in a state of war will affect the prices of corn and agricultural produce. The answer appears, though contrary to the generally received doctrines, very simple and obvious. If the demand of government for soldiers and sailors constitutes an additional, and not a substituted demand, their demand will of course raise wages, and through the medium of wages the price of corn. But if it be a merely substituted demand, if the funds which the government applies to the support of the army and navy be withdrawn from those who would also have employed them in the maintenance of labour, there is no additional demand, and wages will remain the same. The only effect of the government's expending the funds in lieu of those from whom they are drawn, will be, that a portion of the labour which was before employed productively, will now be employed unproductively. If the same causes which increase the demand for labour on the one hand, diminish such demand on the other in the same proportion, there will of course be no increase of wages. If the war which calls

for a supply of hands for the purposes of the army and navy, at the same time depresses our trade and manufactures, so as to diminish their demand for labour in a greater proportion than such call would increase the demand, the wages or revenue of labouring classes will of course decrease. If, on the other hand, our trade and manufactures continue equally flourishing, and require the same number of hands and the same quantity of labour, the additional competition of government for soldiers and sailors will of course increase the demand for labour, and raise the general rate of wages; and much more will this be the case if the progress of our trade and manufactures be actually accelerated by the war.

The American war, and that of 1793, form a singular exemplification of the contrast just mentioned, both as to the state of our trade and manufactures, and the results. The price of corn during the American war was, as has frequently been observed, lower than during the period of peace either immediately before or after. But what was the state of our trade and manufactures during that war? Were they flourishing, and consequently affording full employ to the labouring classes, or the reverse? Mr. Burke shall give the answer. "The American war," says he, "was darkened with singular and pe-

culiar adversity. Our exports never came near to their peaceful elevation, and our tonnage continued with very little fluctuation to subside lower and lower."

But now look to the state of our commerce, trade, and manufactures, during the war of 1793. I quote the same authority, though it is scarcely necessary to refresh the memory of the reader either as to the generally flourishing state of the country, or the high price of corn. "On the other hand," says Mr. Burke, "the present war, (that of 1793,) with regard to our commerce, has the white mark of as singular felicity. If from internal causes, as well as the consequences of hostilities, the tide ebbed in 1793, it rushed back with a bore in the following year, and from that time has continued to swell and run every successive year higher and higher into all our ports." I need not remind my reader, that the year 1795 was the first year of those excessive high prices which continued, with, however, great fluctuations, during the whole of that war. There are other coincidences of the same kind, which, had I leisure, I could point out.

I must now trouble the reader with a few observations upon the subject of the wages of labour, as many of the opinions which have been expressed upon that subject by Dr. Smith, Mr.

Malthus, and Mr. Ricardo, will, I am confident, upon examination, be found to be far from correct, and the errors entertained upon that subject have been the chief cause of the confusion in which our present and many other inquiries have been involved.

CHAPTER IV.

WAGES OF LABOUR.

The price of labour is regulated by the same law as all other price, the proportion which the supply and demand bear to each other. This is admitted even by Mr. Ricardo in one passage, though he attempts to impugn the doctrine in others. "The market price of labour," says he,* "is the price which is really paid for it from the natural operation of the proportion of the supply to the demand." In another passage,† however, he says, "The opinion that the price of commodities depends *solely* on the proportion of supply to demand or of demand to supply, has become almost an axiom in political economy, and has been the source of much error in that science. It is this opinion which has made Mr. Buchanan maintain that wages are not influenced by a rise or fall in the price of provisions, but solely by the demand and supply of labour." Mr. Ricardo's hypothesis, that price

* Principles, p. 92, 1st edition. † Ib. p. 543.

is not regulated solely by the proportion between the demand and supply, but by the cost of production or natural price, has rendered it necessary for him to look out for a natural price of labour, which he thus defines. "The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race without either increase or diminution." It is hardly possible to refrain from expressing astonishment that an author of the late Mr. Ricardo's talents and information should have assumed such a definition of the natural price of labour; Mr. Ricardo seems evidently to have felt that he was driven by his theory, that the actual price of every commodity is regulated by its cost of production or natural price, to give a natural price of labour, for otherwise he must have admitted that the price of labour is regulated solely by the proportion between the supply and demand.

What is the natural price? The natural price of every commodity is that to which its price is constantly tending; the point to which the actual price is constantly gravitating; the centre of its oscillations; or, in plainer language, it is the price at which every article would be sold, were human intelligence perfect, and could every one anticipate the amount of the demand for and

supply of every article. The competition of different individuals operates upon price in different and opposite directions, but the effect of the different forces is ever to approximate it to the natural price.

This, it is apprehended, is the meaning of the natural price, as the terms are generally used, and indeed is the meaning which Mr. Ricardo himself affixes to them when he says,* "That the tendency of wages is to conform to their natural rate." Dr. Smith, indeed, defines the natural price of labour or rate of wages a little differently; he says, that the ordinary or average rate of wages may be called the natural rate.

How then does Mr. Ricardo's definition of the natural price of labour agree with either of these definitions of the terms? Is that "price which is necessary to enable the labourers one with another to subsist and perpetuate their race without either increase or diminution," the price to which the actual price of labour is constantly tending? Or is it, according to Dr. Smith's definition, the ordinary or average price? Certainly neither the one nor the other. Mr. Ricardo's natural price of labour can only exist in a stationary state of society, when population is neither progressive nor retrograde. Is this the

* Page 93, et passim.

usual or natural state of population? Is it not the usual law of population to increase? Is it not the usual, and almost universal course of society?

Let us follow Mr. Ricardo's course of reasoning upon this subject a little further. Having assumed this most unnatural definition of the natural price of labour, it was necessary to bend the whole line of his reasoning and inductions to a conformity with this definition; and he consequently maintains throughout his work, that the *real* wages of labour remain in the progress of society always the same or nearly the same.

His very definition of the natural price requires an uniformity in the amount of the *real* wages of labour, that is, in the amount of the food, necessaries, and conveniences required for the support of the labourer and his family; as he defines the natural price to be that which will enable the labourers one with another to subsist and perpetuate their race without either increase or diminution. Mr. Ricardo then states, what would certainly be the case were the natural price correctly defined, and what indeed is implied in the terms "natural price," the tendency of the actual wages of labour to conform to their natural price, and infers from these premises that the actual money price of labour will de-

pend upon the price of the food, necessaries, and conveniences required for the support of the labourer and his family. In a word, he assumes that the *real* wages, that is, the quantity of food, necessaries, and conveniences which the labourer can purchase, will be always the same, from which assumption it of course follows that the money wages of labour must depend upon the price of such food, necessaries, and conveniences.

It is upon this basis that Mr. Ricardo has erected the whole of his doctrine, that the diminution of the returns of capital in the progress of society, resulting from the necessity of resorting to inferior lands for food, and that taxes upon raw produce, necessaries, and wages, will entirely or almost entirely fall upon profits. I say entirely, or almost entirely, because it is impossible to collect from Mr. Ricardo's words which of these two is his meaning. I will not fatigue the reader by any long quotations, but will merely observe, that in one passage* Mr. Ricardo states that a tax on wages is *wholly* a tax on profits; in another, that the effect of a tax on wages would be to raise wages by a sum at least equal to the tax, and the whole of his reasoning induces the presumption that his meaning is, that

* Page 286.

the whole of the effects of these different circumstances will fall upon profits alone, and not upon wages.

Entertaining as I do a most perfect conviction of the fallacies of Mr. Ricardo's reasoning upon this subject, and of the erroneous notions which have hitherto prevailed, I must trouble my readers with rather a detailed analysis of the principles which regulate wages, in which I shall endeavour to expose what appear to me to be those fallacies and errors.

The price of labour depends then upon the proportion between the demand and supply of labour. But the price of labour and the wages of labour are very different things. The price of labour is the sum paid for a given quantity of labour; the wages of labour is the sum earned by the labourer. The wages of labour, that is, the sum earned by the labourer, may remain the same, whilst from increased industry and exertions, or increased employment, he may perform more labour for the same wages; and the price of labour will be diminished in proportion to such increased exertions or employment. Again; the price of labour may remain the same, whilst from the same circumstances of increased exertions or employment, the wages of labour may be considerably increased. The wages of labour, in

short, depend upon the price of labour and the quantity of labour performed. This distinction, though at first sight it may appear trivial, will be found to be of great importance, when we consider that the cost of production of every commodity will depend on the price of labour; the amount of the food, clothing, and necessaries of the labourer, upon the amount of the wages of labour. It may be said, that this is not a correct distinction, because the wages of labour mean the sum paid to the labourer for a given quantity of labour; but this is not the sense of the term as used by Dr. Smith, Mr. Malthus, and Mr. Ricardo, for they all measure the quantity of the necessaries, &c. which the labourer can command by the wages of labour, that is of course by the sum which he earns; and the wages of labour, in the general use and acceptation of the terms, mean the wages of labour by the day, and not by the quantity of labour which the labourer performs.

But it may be said, that though the wages of labour do usually mean the wages of labour by the day, the terms frequently mean the sum paid by the piece for task work, or the piece of any manufactured article. This is perfectly true, and then the wages of labour and the price of labour will be the same. But even here there is

a very important distinction to be made between the *rate* of wages and the *amount* of wages, which applies as well to the rate of wages by the day as to that by the piece. The rate of wages by the piece or by the day is no test of the amount of wages earned by any individual, as he may be employed at one time every day in the week, and even for extra hours, at another but three days in the week, at another but half days, as has already been shown is frequently the case. Still less will the amount of wages by the piece measure their whole amount, as the individual may, and under different circumstances does, fabricate or perform more or less pieces or task work in the day. With respect to the amount of wages by the piece in manufactures, it is a matter of surprise how it could ever have been used (as it has been) as a test even of the rate of wages of labour at all for a series of years; when we consider the improvement of machinery in manufactures, which has taken place these last few years, and which has enabled the workman with the same labour to do probably double work.

Mr. Ricardo considers that any increase of the wages of labour falls upon profits; and he is correct if by wages of labour he means the price of labour. But that such cannot be his meaning

is clear from the sense in which he uses the terms "wages of labour" throughout his work, meaning by those terms the amount of the necessaries, &c. which the labourer can command.

These distinctions will appear very important, when we remember that any increase of wages, or of the *rate* of wages, has usually been considered as necessarily increasing the cost of production; these distinctions are also most important, when we consider the immense effects produced during particular periods of these last thirty-five years by the increased exertions of the population. The rate of wages may be increased without affecting the price of labour, or cost of production; and the rate of wages may remain the same, whilst from the increased exertions of the labourer, the price of labour and cost of production may be diminished. By Mr. Ricardo however all these distinctions have been confounded, and he uses the terms price of labour, rate of wages, and even price of wages indifferently.

The rate of wages is much less in India than in England, and from this fact it would be generally concluded that the cost of production of most articles would be much less. But with respect to many articles I doubt the conclusion, as, from the greater exertions of the English

labourer, his labour may be as much or more than in proportion to his wages; and therefore the price of labour and cost of production may be the same or less.

Dr. Smith, in enumerating the items which regulate the amount of any country's produce, and its supply of all the necessaries and conveniences of life, has omitted the greater or lesser exertions and industry of the inhabitants. He mentions the skill, dexterity, and judgment with which its labour is applied, and the proportion of the population employed in useful labour, but omits the industry and exertions of those so employed, a consideration certainly as important as any of the others.

An observation before made in this tract proves the paramount importance of considering the various degrees of the industry and exertions of the labourer. There can be no doubt that corn and other raw produce is at the present moment raised at a greater expense of labour in England than it was some years ago, and than it now is in any other country on the face of the globe, China perhaps excepted, and yet it is raised by a smaller proportion of the population than formerly, or than in any other country. This phenomenon can be accounted for solely by the greater industry and exertions of the

labourers. It cannot be accounted for by the increase of the skill, dexterity, and judgment with which such labour is applied, or any of the means which increase the productive powers of agricultural labour, because notwithstanding the application of these means, which in a certain degree counteract the effects of resorting to inferior soils, corn and agricultural produce still require more and more labour to produce them. This increase of exertion of the labourer is another of the means of the counteraction of the effects arising from the necessity of resorting to inferior soils in the progress of cultivation.

It is most necessary therefore to keep these distinctions in mind—that, the amount of the wages of each individual, that is, his whole earnings are very different from the rate of wages, and the rate of wages very different from the cost or price of labour. The pecuniary means of the labourer will depend upon the amount of his wages; the cost of próduction will depend upon the cost or price of labour.

With respect to Mr. Ricardo's doctrine, that the wages of labour, that is, the real wages, always remain the same, or nearly the same, it seems to be founded, as far as Mr. Ricardo's meaning can be collected, upon the assumption that the labourer has never more or much more

, than the absolute necessaries of life, and that therefore if his command over them were to be much reduced, he would be totally deprived of subsistence. "If," says he,* "the money wages of labour should fall, whilst every commodity on which the wages of labour were expended rose, the labourer would be doubly affected, and would soon be totally deprived of subsistence. Instead therefore of the money wages of labour falling, they would rise, but they would not rise sufficiently to enable the labourer to purchase as many comforts and necessaries as he did before the rise of price of those commodities." Again in another passage,† he says, "a tax however on raw produce and on the necessaries of the labourer would have another effect—it would raise wages. From the effect of the principle of population on the increase of mankind, wages of the lowest kind never continue much above that rate which nature and habit demand for the support of the labourers. This class is never able to bear any considerable portion of taxation; and consequently if they had to pay 8*s*. a quarter in addition for wheat, and in some smaller proportion for other necessaries, they would not be able to subsist on the same wages as before, and to keep up the race of labourers."

* P. 103. † P. 199.

In this passage it is stated that the real wages of labour would fall in some degree, but this supposition is opposed to his assumed definition of the natural rate of wages, as also to the general tendency of his reasoning. His definition of the natural price of labour, (which he uses synonimously with the wages of labour,) requires an uniformity in the real wages of labour, and he states that the natural price of labour depends on the price of food, necessaries, and conveniences required for the support of the labourer and his family, and that the natural price of labour will rise and fall with the price of food and necessaries.

Mr. Ricardo states again and again (as it was necesary for him to do) the tendency of the actual wages to conform with natural wages, and therefore the actual wages must, according to his doctrine, have a tendency to rise and fall with the price of necessaries, which is making the real wages of labour always the same.

It will be sufficient, for the present, to observe that wages of labour may vary within very wide limits, from wages such as they are in North America, to wages such as they are in India; or which is more in point, from what they were during the late war to what they have been since the peace.

The price of labour then is regulated by the proportion which the supply of and demand for labour bear to each other. The supply of labour will depend not only upon the number of labourers, or the amount of the population, as supposed by Mr. Ricardo* and Mr. Malthus,† but also upon the industry of the labourer. It has been stated again and again by witnesses before Committees of both Houses, that the labourer in a scarce year, when his wages will furnish him with a much less than the usual quantity of food, will, in order to obtain his usual supply of necessaries, be willing to do much more work than usual even at a reduced rate of wages. This then is an increase of the supply of labour without any increase of the number of labourers; and there can be no doubt that such was the effect generally during the war at particular periods, when the price of the necessaries of life rose in a greater degree than the price of labour. There cannot be the least doubt that the increased exertions of all classes during the war increased the supply of labour in a very great proportion; increased exertions arising at some periods from the causes just adverted to, and at other periods, particularly in the manufacturing districts, from the very high

* P. 97, et passim. † Principles, 242, et passim.

reward of labour, a brisk trade, and full employment.

But then comes the question how the demand is regulated. "The demand," says Dr. Smith,* "for those who live by wages, it is evident, cannot increase but in proportion to the increase of the funds which are destined to the payment of wages.

"These funds are of two kinds; first, the revenue which is over and above what is necessary for the maintenance; and, secondly, the stock which is over and above what is necessary for the employment of their masters.

"When the landlord, annuitant, or monied man has a greater revenue, than what he judges sufficient to maintain his own family, he employs either the whole or a part of the surplus in maintaining one or more menial servants. Increase this surplus, and he will naturally increase the number of those servants.

"When an independent workman, such as a weaver or shoemaker, has got more stock than what is sufficient to purchase the materials of his own work, and to maintain himself till he can dispose of it, he naturally employs one or more journeymen with the surplus, in order to make a profit by their work. Increase this surplus,

* 1st Vol. p. 104.

and he will naturally increase the number of his journeymen.

"The demand for those who live by wages, therefore, necessarily increases with the increase of the *revenue and stock* of every country, and cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth. The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it."

Mr. Ricardo adopts nearly the same opinion. "Notwithstanding," says he,* "the tendency of wages to conform to their natural rate, their market rate may, in an improving society, for an indefinite period, be constantly above it; for no sooner may the impulse, which an increased capital gives to a new demand for labour be obeyed, than another increase of capital may produce the same effect; and thus if the increase of capital be gradual and constant, the demand for labour may give a continued stimulus to an increase of people." Capital is that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw material, machinery, &c. necessary to give effect to labour.

* P. 93.

And Mr. Malthus follows in the same track.* "What is mainly necessary to a rapid increase of population, is a great and continued demand for labour; and this is occasioned by, and proportioned to, the rate at which the whole value of the capital and revenue of the country increases annually; because, the faster the value of the annual produce increases, the greater will be the power of purchasing fresh labour, and the more will be wanted every year."

Dr. Smith therefore makes the demand for labour depend solely upon the increase of the revenue and stock of a country, and, which he uses as synonimous, the increase of national wealth; and says, that the demand for labour cannot increase without such increase of the revenue of stock, and of national wealth.

Mr. Ricardo seems (though it is difficult to collect his precise meaning) to think that the demand for labour depends solely upon the increase of capital, which he defines to be that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, &c. necessary to give effect to labour.

Mr. Malthus thinks that the demand for labour is proportioned to the rate at which the capital

* Political Economy, p. 261.

and revenue of the country increase; capital being, according to his definition, that portion of the stock of a country which is destined to be employed with a view to profit. Upon the subject of capital, and the different definitions of it given by Mr. Ricardo and Mr. Malthus, I shall not trouble the reader at present with any observations, but shall merely attempt to show not only that the demand for labour may increase without "any increase of wealth" or "of capital," or "of the rate of increase of the whole value of the capital and revenue of the country;" but that the demand for labour is usually the cause and not the effect of the increase of the capital of a country.

It is true and most obvious that the *real* wages of labour cannot be increased without an increase of the capital which constitutes the maintenance of labour, such as food, clothing, &c. But the increase of this capital is generally the effect, and not the cause, of the increased demand for labour; there may be an additional demand for labour without any preceding increase of capital, such increased demand for labour causes an increase of the money wages of labour, and that increase of the money wages effects an additional demand for and an increase of the quantity of such capital.

First, the demand for labour is not regulated solely by the amount of the capital.

The opinion that the demand for labour is regulated solely by the amount of capital, has originated in a mode of reasoning very much used by Dr. Smith, which frequently furnishes very beautiful illustrations, often gives a clue to important conclusions, and is always a very excellent test of the truth of our inductions, but which, from an incautious use of it, has led perhaps to more false conclusions in the science than any other cause. I mean the reasoning from an assumed state of society and facts, and considering what the effects of the known or supposed principles of human nature would be in a state of society such as never existed.

Analysis is frequently conducted upon the supposition that the commerce of society is carried on without the intervention of money, and it is this mode of reasoning which has led to the opinion just mentioned.

It is obvious that if wages were all paid in kind, and not in money, an increase of capital must precede any increase of the demand for labour and of wages. These wages would be the *real* wages of labour, and they could not be increased without an increase of capital, that is,

of the necessaries, &c. of which the real wages are constituted. Wages certainly in this sense could not be increased without an increase of capital; nor could the number of coats be increased without an increase of the quantity of cloth. But we might just as well say, that the demand for coats depends upon the quantity of cloth, as that the demand for labour depends upon the quantity of capital. Though the number of coats cannot be increased without an increase of the quantity of cloth, increase the demand for and the price of coats, and the cloth will soon be manufactured; so increase the demand for and the price of labour and the necessaries which the labourers require will soon be raised and manufactured.

The demand for labour and the price of it may increase in just the same manner as the demand for and price of every thing else. The error of supposing otherwise arises from the notion that all expenditure ultimately goes to the labourer. Thus, whether I employ a labourer immediately, or buy a hat or coat which must be made by labour, it may be said that the same sum is paid for labour, for the hatter or tailor must lay out the money which I pay him upon labour either productive or unproductive; this mode of reasoning is adopted

in every work of any note upon the subject of Political Economy. It is always taken for granted, that the only effect of different modes of expenditure, is to increase or diminish the future produce of labour, as the expenditure is distributed either to productive or unproductive labourers. "Both productive and unproductive labourers, and those who do not labour at all," says Dr. Smith,* "are all equally maintained by the annual produce of the land and labour of the country—according therefore as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case, and the less in the other, will remain for the productive, and the next year's produce will be greater or smaller accordingly."

Upon this doctrine is built the argument that the demand of Government for soldiers and sailors does not increase the wages of labour, for such demand, it is said, cannot increase the annual produce, and the Government merely employs the hands which individuals would otherwise have employed, and the only effect of the Government's employing them instead of individuals, is, that the Government employs

* Vol. ii. p. 4.

them unproductively whilst those individuals would employ all, or at least some of them productively.

This may be partly true, if we consider *real* wages merely and throw money altogether out of our consideration. If the capital for the support of labourers were of a given amount, and that amount were necessarily laid out upon the labouring population in the course of the year, it could make no difference in the demand for labour or amount of wages by whom it were expended; whether by Government upon unproductive persons, such as soldiers or sailors; or by individuals upon productive labourers; the whole population would get the whole of this capital within the year, and they could not have more. But when we take facts as they are, and the state of society as it is; when we consider that wages are not paid in kind but in money, the result will be found to be very different; it will be found that a larger or smaller expenditure in money may be given to the labouring population, that their money-wages will accordingly rise or fall; their demand for the articles necessary for their consumption will be increased or diminished, and the price and quantity of them increased or diminished in the same proportion. The fallacy, however, of the

above mode of reasoning, is, I confess, very difficult of detection, but that it is fallacious I think a single observation will prove. Suppose every payment made by every individual were made immediately to the labouring population, the result would of course be, that the whole revenue of the country would go to the labouring population, and would be expended by them in providing the food and necessaries fit for their station; the whole revenue of the country would be expended in providing those articles, and none of it in providing luxuries for the rich, &c. The fallacy appears to me to arise from not considering the various functions and exchanges that the same piece of coin may perform. Even adopting the mode of argument used by Dr. Smith, and leaving money out of our consideration, and supposing every thing to be paid in kind, a larger or smaller proportion of the real capital and labour of the country, might be employed in providing necessaries for the labourer, and a smaller or larger in providing luxuries for the rich, &c.

Thus suppose the real capital for the maintenance of labour of any country for the year to be one million quarters of corn, one million coats, &c. and the labourers to be one million. Now a part of those labourers will be employed

in providing luxuries for the rich, &c. and the rest in producing the necessaries for the maintenance of labour; the larger the portion of the labour expended in the former way, the less will be the portion of labour expended in the latter, and the less the amount of the capital produced for the maintenance of the labourer. This subject the author means to attempt to illustrate in a future publication. It is sufficient at present to put a very simple question, the answer to which will be decisive upon this point. What was the effect of the immense subscriptions, and parish donations, and increased allowances during the periods of scarcity of the last thirty-five years? Is it not admitted, that the effect of them was to increase the money means of the labouring poor, and to raise the price of corn to a much higher point than it would otherwise have attained? Does it not follow that a larger or smaller amount of the pecuniary means or pecuniary capital of a country may be expended on the labouring population.

I have thus attempted to refute the error, an error of immense importance and pervading almost every page of every book of note upon the subject of Political Economy, that the demand for labour depends solely upon the amount

or rate of increase of wealth or capital of a country.

How then is the demand for labour in fact regulated? By the wants and means of the community. The wants depend upon various circumstances; the profit to be made of it by those who usually employ productive labour, the urgency of the call of Government for military and naval services, the taste of those who employ menial servants, &c. &c. &c. According to the greater or lesser urgency of those wants will a greater or lesser proportion of the means of the employers be expended on labour. The means of such employers are of course, as I before mentioned, the pecuniary means, and will depend not only on the actual amount of the precious metals, but on the credit which they can command.

Upon this subject I shall make but one further observation, which, however, appears to me to be most important. It is, as to the different effects upon wages, profits, and rent of a brisk or languid state of commerce, and of increased or diminished activity and exertion. The employer of capital and labour employs, we will say, ten men who produce the article upon which their labour is expended in two months, and he is enabled to sell it immediately, and thus

replace his capital with a profit. Now suppose these ten men to do double work a day, at the same rate of wages for the work; their wages by the day will be doubled; the article will be produced in one month, that is, in half the time, with the same profit upon the capital expended, that is, with double profit, for profit being the gain upon capital in a given period, increased rapidity of the returns will have the same effect as increased rate of production. It is nearly the same thing, whether capital is returned once to the owner in the course of two months with ten per cent. increase or profit, or twice in the same period with five per cent. profit; only in the latter case there would be the compound profit upon profit which there would not be in the former case. The consequence will be double wages, an increased demand for and price of all the necessaries for the labourer, and increased profit.

A brisk trade and commerce will increase wages, profits, and rents, a languid trade will diminish all three. The reader may apply these observations to the facts with which his experience of the last thirty-five years has furnished him. It is only to be observed, that this analysis shows again how important it is to distinguish the price of labour from the wages of

labour. From the omission of this distinction Mr. Ricardo did not see that wages and profits may increase together; though perhaps the price of labour and profits cannot increase together. The demand for and money-wages of labour may be increased without any increase of the capital of the country. I need scarcely appeal to the experience of the reader for instances of this fact; a brisk trade, a demand for our manufactures caused by whatever circumstances, without any preceding increase of capital, sets every hand in motion; whilst the contrary circumstances cause a stagnation of trade without any preceding diminution of capital, and throw many out of employment.

CHAPTER V.

SUPPLY OF CORN.

It has been attempted in the former chapters to shew that there is not a shadow of ground for the supposition that the high price of the war, or the low price of the peace, was caused by a series of bad seasons in the former, or of abundant seasons in the latter case; or that the fluctuations of the price of corn of the last thirty years are attributable in a greater degree than during any other period of equal extent, to the variation of the seasons. In no other period of equal extent have the fluctuations of the price of corn been so extraordinary,* in no other period of our history have the fluctuations of our trade and commerce, or the alternations of prosperity and adversity been so remarkable. The general coincidence of the high price of corn with a flourishing state of trade, and of the low price with a depression of trade cannot be disputed; it has been proved too that a flourishing state of trade must necessarily increase the employment of the labouring popu-

* See Chart annexed

lation, the amount of their wages, and through them the demand for and the price of corn; and that a languid and depressed state of trade must have just the contrary effects. Can there then be any doubt, after having shewn that the facts which I have mentioned must necessarily have produced such consequences; after having shewn that such facts and such consequences did really exist, that the former were the causes and the latter the effects. Our reasoning is carried much further than is usual in such cases. We are frequently obliged to infer cause and effect from mere coincidence, and it therefore constantly happens that cause and effect are mistaken for each other, but here we prove that the effects which did actually occur, must necessarily follow from the facts which did actually occur; and which therefore we are justified in considering as the causes of such effects.

But to this reasoning it may be objected, that, though an increase or diminution of the demand may account for a temporary elevation or depression of the price, they cannot be the causes of any long continued elevation or depression; such an elevation as occurred during the war of 1793 and the succeeding war, and such a depression as has occurred from the year 1814 nearly to the present time. For, it may be said, the price of every thing is ultimately regulated by the cost of

production, and no permanent change of price can be effected without a change in that cost. In answer to this objection, if made at least by those who attribute the high price during the two wars to a series or cycle of bad seasons, and a consequent deficient supply, and the low price since the two wars to a series or cycle of abundant seasons and a consequent excess of supply, I might use the argumentum ad hominem.

We are all agreed that the alteration of the price has in both cases arisen partly at least from an alteration of the proportion of the supply to the demand. Mr. Ricardo and others say that this alteration of proportion has been caused by a variation of the supply occasioned by a series or cycle of bad and good seasons; I say that it has been caused by a variation of the demand occasioned by the increase or diminution of the pecuniary means of the consumers. From whatever cause this admitted disproportion has arisen, there would be the same motive to increase or to diminish the supply so as to adjust it to the demand. The objection applies equally to each hypothesis, variation of demand or variation of supply.

But in order to attempt a more satisfactory answer to this objection we must revert to the laws which govern price.

The price of every commodity depends, as before stated, upon the proportion between the demand for and supply of that commodity; and the demand is regulated by the wants and means of those who wish to buy the commodity.

But how is the supply regulated? The supply is regulated, as well as the intelligence of the dealers will enable them, by the proportion which the demand bears to the cost of production. If the demand be not such as will replace the cost of production, together with the ordinary profit, no one will continue after he has discovered this state of the demand, to produce the article, and there will be no supply of it; and without again going over this ground, which has been so often trod before, the tendency of all competition is to fix the price of every article at that amount which will replace the cost of production together with the common profit. The price which will just do this is called the natural, and sometimes the remunerating price.

But the supply and demand are sometimes said to be equal to each other, the supply sometimes to exceed the demand, and at others the demand to exceed the supply; and great confusion has arisen from the manner in which these expressions have been used. Let us consider the sense in which they are used by Dr. Smith.

The reader will find, on an attentive perusal of the seventh chapter of the first book, that when the commodity, whatever it is, fetches its natural price, or, in other words, when the actual and natural prices coincide, then the demand and supply are *said* to be equal to each other. In such case there is no motive to increase or diminish the supply. There is no motive to increase the supply; for if it be increased, it will not obtain a remunerating price. There is no motive to diminish the supply, as it already obtains a remunerating price.

The very definition, therefore, of *equality* of supply and demand, is that the supply and demand are so adjusted to each other that the article obtains its natural price. When the supply bears such proportion to the demand that the article obtains less than its natural price, the supply is *said* to exceed the demand; and when the proportion is such that the article obtains more than its natural price, the supply is *said* to fall short of the demand, or the demand to exceed the supply.*

If human intelligence were perfect the sup-

* Mr. Ricardo, in his Protection to Agriculture, repeatedly asserts that the low price cannot have arisen from any other cause but an increased supply or diminished demand. From what other cause can low price at any time arise?

ply would never exceed or fall short of the demand; and the further we recede from that point, the less perfect the intelligence and foresight of commerce, the more will the supply and demand vary from each other. The variations of the demand from the supply, and which is the same thing, of the price above or below the natural price, may be caused either by the fluctuations of the demand, to which the supply is not immediately adjusted, or by the fluctuations of the supply not required by similar changes in the demand. If every thing could be produced the moment it were wanted, the supply would never exceed the demand; and the longer the periods required for the production of any article, and for withdrawing capital from its production, the longer will be the periods required for adjusting the supply to any increase or diminution of the demand.

Let us, however, more particularly consider these principles as they apply to the price of corn and rude produce, particularly as the expressions which have been used will require some modification when so applied.

With respect to any article of manufacture, the different portions of it which make up the supply in the market are generally produced at the same or nearly the same cost. Indeed, if it

were not so, the manufacturer who could supply the article at the cheapest rate would soon drive his competitors from the market. We may call to mind instances without number of the manufacture of one place being entirely superseded by a manufacture of the same article in another, on account of the latter, through some invention of machinery or other circumstance being enabled to undersell the former.

With respect to corn and other rude produce, on the contrary, different portions of the same crop are produced at a very different expense according to the different quality of the soils on which they are grown; and no one ever heard or expected that the corn grower on the rich land of one county would, by underselling the farmers of poor lands in another county, drive them out of the market.

From this it follows then, that though what is a remunerating price for one portion of any particular article of manufacture is usually a remunerating price for every other portion of the same article of the same quality, the case is very different with respect to corn and other rude produce; and that the price which is a remunerating one for one portion of a crop of corn, will be much more or less than a remunerating price for other portions of the same crop, according to the

superiority or inferiority of the soils upon which they are grown.

How then, as the natural or remunerating price of different portions of the same crop is very different, shall we define the natural price of corn or of other rude produce?

The natural price of corn will be that which replaces the cost of production, with the ordinary profit, of that portion of the crop or supply which is raised at the greatest cost. That is the point to which the price is constantly tending; that is the point to which, however the price may oscillate, competition is constantly drawing it. When the natural price is at that point, there is no motive either to increase or diminish the supply. There is no motive to increase it, as if it be increased not only will the additional produce be raised at a greater cost, but the addition of it will of course reduce the price of the whole supply; and the growers of the additional supply will therefore lose in both ways; they will lose from the increased cost, and they will lose from the diminished price. There is no motive to diminish the supply, as every portion of the produce already sells for that price which will repay the cost of production together with the ordinary profit.

This fact, that every additional supply of

corn or other rude produce is generally raised at an increased expense, is one which cannot be too much insisted on; a familiar proof of it may not be unacceptable to some readers.

The qualities of the soil of every country vary indefinitely, and the gradations from the richest to the poorest are infinite. The richest soils, or at least those on which, from their fertility and convenience of situation combined, corn can be raised at the least expense, will generally of course be cultivated first; those which rank the next in point of the two qualities of fertility and situation, will of course be cultivated next, and so on till the cultivators are driven to the inferior soils, upon which corn is of course raised at a much greater expense.

As inferior soils are called into cultivation the richer soils are also more highly tilled, and *their* produce also increased. This increase of produce is also raised at a greater cost, as is evident from this consideration, that if produce could be increased indefinitely upon the richer soils without any increase of the rate of expense, the second or poorer soils would never be called into cultivation at all. It is obvious to the most cursory observer, that the same increase of price, or other cause which calls fresh soils into culti-

vation, forces additional and improved culture upon those already under tillage.

To this abstract proposition, "that every additional portion of produce is raised at a higher rate of expense," many perhaps would not assent. Put, however, the same proposition to any agriculturist or farmer in different words. Ask him whether every considerable increase of price does not make it answer to cultivate his farm at a larger expense than would have answered at the old price; whether every considerable rise of price does not make it worth his while to make improvements upon his lands in order to increase the produce, to apply more labour and more manure, none of which would have answered at the old price; and he will not hesitate to answer you in the affirmative.

This proposition, however, though laid down generally, must be taken with some qualification, if applied to different periods of time and different states of agriculture and of the arts connected with it. Thus, in an improved state of agriculture produce may be raised on the second or third quality of land at as little cost as it could under the old system upon the first quality.

Improvements in agriculture might in this

view of the case be distinguished into two kinds: those which enable the cultivator to save expense, or those which enable him to increase his produce without any increase of the rate of expense, and those which increase the produce but at an increased rate of expense. The former kind of improvement is always useful in every state of the market, the latter is called into action only under particular circumstances, and is not always applicable. Some curious illustrations of this principle might be adduced. It has been generally observed, that the English farmers who have taken lands in America have not prospered; the reason has been in part at least, I have no doubt, that the system of high cultivation which they have carried from England is not suited to the present condition of America. In a cheap mode of cultivation the net produce bears a much larger proportion to the expense and to the gross produce than in an expensive mode of cultivation. This follows from what I have already stated, that every additional portion of produce is raised at a greater cost. The American farmer, whose cultivation has always appeared to an English eye to be most slovenly, lays out but little capital, and his profit upon that capital is generally enormous. The Englishman, used to the mode of farming practised

in England, lays out a large capital, and obtains but a small profit, or perhaps no profit at all, or even does not replace his capital.

As each additional portion of produce is raised at a greater cost, each additional portion of capital, of course, whilst the price continues the same, yields a less return. Let us suppose, then, that the first portion of capital at a given price of labour and a given price of corn, yields a gross return of 150 per cent. the second of 140 per cent., and so on. It is obvious that the capital may be increased, so that the last portion shall yield at the given price a gross return less than the capital expended, and that the farmer, instead of deriving any profit, may actually sustain a loss.

Upon this principle it is evident that many modes of cultivation, and many items of expense, which might answer in England with the English price of labour and the English price of corn, would not answer with the American price of labour and the American price of corn, but might even occasion a loss of capital. It is quite clear, that in any and every state of cultivation and of prices, it is possible so to overlay a farm with capital as that a great portion of the expense shall not answer, and shall even occasion a loss; and this, I think, has been the error of many of

the English farmers who have migrated to America.

This principle again will explain a curious phenomenon during the late low price of produce and depression of agriculture.

It was observed that the little farmers, and those of the less improved parts of the country, did not sustain so great a loss as those who had larger farms, and had adopted the higher mode of farming, and practised all the modern improvements.

The large farmer, during the period of the high prices, saturated his land with capital, made improvements to nearly the utmost extent which the high prices would bear, and heaped manure and expense of every description upon the land to the very verge of profit; and all this, whilst the high prices lasted, greatly to the benefit of the public, his landlord, and himself; but when the day of adversity arrived, when the price of corn unexpectedly fell the greater part of this expenditure, so far from returning a profit, occasioned a loss, often amounting to actual ruin.

The small farmer, on the contrary, who continued obstinately in the old system without contagion from the general spirit of improvement, laid out a much smaller capital, raised a much

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smaller produce, and paid a much smaller rent: but his produce, such as it was, was much larger in proportion to the expense than that of the more intelligent farmer, and he suffered much less from the reverse which overwhelmed others, inasmuch as his larger net profit could bear a greater reduction without touching his capital. The explanation is obvious from the principles which I have endeavoured to explain.

The former relying, as he might without imprudence have done, on the continuance of favouring gales, set every sail, and made a proportionate progress, but when the wind unexpectedly shifted, and the storm came, his quantity of canvas exposed him to the blast, and he was overwhelmed; whilst the latter, from mere indolence and want of intelligence, took no advantage of the favourable breeze, but was from that very circumstance less exposed to the hurricane when it came.

To abandon metaphor, however, so little suited to such a subject, let us suppose a farm yielding at a certain price of corn, say 100s. a quarter, 160 per cent. gross produce to the first portion of capital laid out upon it, and ten per cent. less on every successive additional portion of capital, and let the ordinary profit of stock be 10 per cent.

The capital, and gross and net produce and rent, would be as in the following table:

	Capital.	Gross Return.	Net Return.	Rent.
1st.	100	160	60	50
2.	100	150	50	40
3.	100	140	40	30
4.	100	130	30	20
5.	100	120	20	10
6.	100	110	10	0
	600	810	210	150

The intelligent farmer would lay out the whole of this capital, and he could afford to pay £150 a year as rent.

The farmer, on the contrary, who from indolence or inveterate habits or prejudices, or want of capital, laid out but £200 capital, could afford, as appears by the same table, to pay but £90 as rent.

But let the price of corn at once fall 3-tenths or thirty shillings the quarter, the gross produce will of course be diminished in the same proportion, and the table will stand as follows:

	Capital	Gross Return.	Net Return.	Loss.
1st.	100	160—48=112	12	
2nd.	100	150—45=105	5	
3rd.	100	140—42= 98	—2	
4th.	100	130—39= 91	—9	
5th.	100	120—36= 84	—16	
6th.	100	110—33= 77	—23	
	600	567	17—50=	—33

The farmer then, who has laid out the whole of this capital, instead of being able to pay any rent, or making any profit upon his capital, will sustain an actual loss of capital to the amount of £33.

But the farmer who laid out two hundred pounds only, will not lose any portion of his capital; the only consequence of the fall will be, that the net return upon it will be reduced to £17.

Such was the effect of the fall of price in the years which succeeded the French wars, though in a greater degree from the greater fall of price.

Let us, however, having defined the natural price of corn to be that which will repay the cost of production, together with the ordinary rate of profit, of the most expensive portion of the crop, return to the objection which I have stated, that

though an increase or diminution of the demand may account for a temporary elevation or depression of price, they cannot be the causes of any long continued elevation or depression; because the price of every thing is ultimately regulated by the cost of production, and no permanent change of price can be effected without a change in that cost.

My answer to this objection is, in the first place, that the supply was not increased immediately in that quantity which would reduce the price to the natural price; and in the next place, that the natural price, or cost of production of the most expensive portion of the supply was raised.

First then, the supply was not increased immediately in a quantity sufficient to reduce the price to its natural price.

Though some of the means of increasing the growth of corn and other rude produce may be immediately resorted to, and be made immediately productive, other means of increasing it require a considerable time to effect, and may be and often are many years before they can be made productive. So also, when the demand for corn or raw produce is diminished, and the price falls, some of the means of diminishing its growth, and of withdrawing capital from land,

may be immediately resorted to, and be made immediately effective, other of those means require a length of time to produce any effect.

Thus when the price increases, new land may be immediately turned up, and an additional produce raised; expensive manures may be laid on, which will also immediately increase the produce. But it would take some time, probably some years, before a whole farm were clayed or marled; it would take some time to make new, or to improve old roads, and farm buildings, to drain lands, and above all, as was particularly the case immediately upon the rise of price in 1794, to introduce the new and improved modes of husbandry. Many of the farmers under the old system had not capital sufficient for the expensive and high mode of farming; old and inveterate habits and prejudices stood in the way of improvement, which required a length of time to overcome; the kindly and feudal feelings of landed proprietors would not permit them to consider their farms as a mere matter of profit and loss, and prevented them as well from turning out old tenants to make room for those who had more capital, skill, and enterprize, as from insisting upon their full rents, which would have forced the farmer to greater exertions.

In consequence of all these circumstances, the

modern improvements made their way but slowly and gradually, and have never pervaded the whole country. Into many parts of the kingdom the turnip system of husbandry has not yet penetrated, even where the lands are most adapted to it. All these improvements have been partial, in some districts the lands have been saturated with capital, whilst in others there always has been and still is a great deficiency. Had the capital expended upon land during the high prices been more equally distributed, there can be no doubt that a larger produce might have been raised at a less expense. In some districts, as I have before observed, particularly within the sphere of the influence of some of the great land proprietors, cultivation was carried even to the utmost border of profit, to the very verge of loss, expense was laid upon the land to the full of its ability to bear it, even at the then very high prices; and the most expensive portion of the produce raised upon those lands did not probably do much more than repay its cost, with the ordinary profit. In other districts, on the contrary, very little improvement took place, and the farmer continued in the track which had been trodden by him and his predecessors for many years. Now it is clear from the principles which we have already laid down,

that had the capital and expense been more equally spread over the country, had some of the capital, which was laid on almost to excess in some districts, been applied to others where it was deficient, a larger produce might have been raised at a lesser cost.

So with respect to the diminution of the produce, when the price falls; some means of effecting this, may, as they were upon the fall of price in 1819, be resorted to immediately; less labour may be employed, less manure applied; but many of the improvements, which it would never have been worth while to have made, and which would never be renewed under the reduced prices, would continue for many years to produce a very considerable effect, though the increased produce raised by means of them should not fetch a remunerating price, that it should not replace with the ordinary profit the capital laid out in its production. As the capital expended cannot be withdrawn, the farmer continues to avail himself of the improvements effected by it, though he would not renew or keep them up at any great fresh expense.

I would again instance the marling or claying of land, a most expensive, but if done well, a very permanent mode of improvement. This improvement made under the high prices, would

in many cases never be renewed under the low; the additional produce raised by these means may not replace the expense; but nevertheless it may answer, when the chief expense is once incurred, to take advantage of it whilst the effects continue.

As therefore on the one hand, the circumstances I have above mentioned would prevent an immediate increase of the supply in proportion to the increase of demand, so on the other hand, would the circumstances which I have mentioned, retard the reduction of the supply in proportion to the reduction of the demand.

There can be no doubt that the high price during the wars was much above that, at which the same produce might have been grown, had the new and improved modes of cultivation been extended throughout the country, and had agricultural intelligence and capital been more distributed. Nor can there be any doubt that the low price, after the termination of the wars, was much below that which was necessary to remunerate the growers of a very large portion of the produce, and that both these two facts are attributable to the difficulty of increasing or diminishing the produce immediately upon an increase or diminution of the demand.

The summary of the reasoning then is this;

that the rise of the price of corn in 1794, and its continued high price during the wars, was caused by an increased demand, occasioned by an increase of the wages of labour; that during the above period the actual price was never reduced to the natural price; that the supply did not keep pace with the demand, and that a larger supply might have been afforded at a reduced price, had the intelligence, activity, and capital which pervaded some districts, extended to all; and further, that even if the supply had been increased in proportion to the demand, and the actual price reduced by means of such increased supply to the natural price, the actual price would still have been much above its former level, inasmuch as the natural price or cost of production of the most expensive portion of the supply must have been necessarily higher.

Again, I say, that the low price of the peace, particularly after 1819, was caused by the reverse of the above circumstances; by a diminution of demand occasioned by a diminution of the wages of labour; that during this period the actual price was reduced below the natural price, and that the supply was not reduced for several years in proportion to the diminution of the demand, on account of the impossibility of immediately withdrawing large portion of the

capital which had been expended; and, moreover, that even had the supply been diminished in proportion to the diminution of the demand, and the actual price raised by such diminution of supply to its natural price, the actual price would still have been lower than the war-level; because the natural price, or cost of production of the most expensive portion of the diminished produce would have been lower.

But to this reasoning an objection may be made, which at first sight appears to possess considerable force. The increase of the wages of labour, it may be said, to which you attribute the increase of the demand for, and the price of, corn, would at the same time increase the cost of production in the same proportion, and if so, if the increase of the price be attended by an immediate proportionate increase of the cost, where is the motive for additional production?

So also with respect to the diminution of the wages of labour, though such diminution, it may be said, would reduce the demand for and the price of corn, it would also at the same time and in the same proportion reduce the cost of production, and therefore could not operate to diminish production.

To this objection however the facts and prin-

ciples which I have before stated furnish an answer. The cost of production depends on the price of labour, and an increase of the wages of labour does not necessarily imply an enhancement of the price of labour. From fuller employment and greater exertions the wages of labour may be considerably increased, whilst the price of labour may continue the same, or the price of labour may be enhanced, as was certainly the case during the war, and at the same time the wages of labour may be increased in a much greater proportion. The cost of production in such case would be increased in the same proportion as the price of labour, but the demand for and the price of corn following the wages of labour, would be increased in a still greater proportion. And the same reasoning, without repetition, would apply to the objection with respect to the reduction of the wages of labour.

A very simple proposition will place this reasoning in a clear point of view. Suppose the whole labouring population, both manufacturing and agricultural, were to be furnished with double employment, and to perform double labour, the price of labour, that is, the money paid for a given quantity of it remaining the same; the immediate consequence would be a

double price of corn, and of all the necessaries upon which the wages of labour are expended, whilst the cost of producing them would remain the same. Capital would be turned immediately to the production of necessaries for the labouring classes, and this diversion of capital would continue till the supply were apportioned to the increased demand, and the prices of the different articles were reduced to their natural prices. The period requisite to effect this adjustment with respect to the price of corn would depend upon different circumstances, some of which I have stated. It would also depend upon the quantity which the additional means of the consumers would require. If the labouring population had before the increase of their pecuniary means nearly a sufficiency of bread, I mean nearly as much as they desired, a very small additional supply would reduce the price of corn to its natural price; if, on the contrary, they had before not nearly a satiety of bread, they would require a considerable addition, and it would take a longer period to restore the equilibrium of supply and demand.

I think that the difference of the degree of consumption of bread of the labouring classes, at different periods, is much greater than is generally supposed, and it is a well known fact,

that during their distress in the year 1817, and some of the following years, potatoes and other inferior kinds of food in many districts superseded in a great degree the use of bread.

I have omitted to mention the increase of population which would also follow increased wages, and would contribute after a short time to enhance the demand for and the price of corn.

The first symptom of prosperity has always been the flourishing state of our trade and manufactures; this has been attended by a very large increase of the wages of manufacturing labour, not only in the *rate*, but much more in the *amount*, arising from full employment; the increase in the *rate* of wages has not been immediately communicated to the agricultural labourer, and when communicated, not in nearly the same proportion.

The immediate effect of an active and flourishing state of our manufactures, in the increased demand for and price of agricultural produce, will be acknowledged immediately by all those who happen to live in the neighbourhood of large manufactories; as also the contrary effects of a depressed and languid state of trade and manufactures. The influence of these different circumstances is felt at the very extre-

mities of the country, though the causes are not seen or acknowledged.

There are many other facts confirmatory of this reasoning. In what districts did the rapid augmentation of the population, which took place between 1793 and 1813, chiefly occur? Clearly in the manufacturing districts. Where was the distress, during the low prices, chiefly felt? Clearly in the manufacturing districts. The wages of manufacturing labour increased much more, and more rapidly, during the high prices, and diminished much more, and more rapidly, during the low prices, than agricultural wages.

There is one other observation to be made with respect to the prices of corn during the state of a demand much exceeding or much deficient of the supply. In the former case, the produce of each year will be more closely consumed, a less portion of it will be left for the following year, and consequently, in case the following year's crop should fall short of an average one, the price will be more enhanced than if a larger portion of the former year's produce had been reserved. In the latter case, when the demand is less than the supply, and the price below its natural price, the sale will of course be more languid, the dealers will keep more back from the market in the expectation of

a better price, a larger surplus will be thrown upon the next year's crop, and if that be plentiful, the supply will be still more increased, and the price unusually depressed. Such surplus, too, may I apprehend clog the market for several years, as I think was the fact during the low prices.

This circumstance, coupled with the fact of the farmers being driven by the continuance of low prices, and their consequent distress, to bring all their stock to market, may account for the actual abundance of supply in 1822.

CHAPTER VI.

EFFECTS OF THE ALTERATION OF THE CURRENCY.

In the preceding analysis I have omitted all observation as to the effects of the depreciation, and restoration of the value, of the currency upon the price of corn.

It is clear that the alteration of the value* of the currency would account for a very considerable rise and fall of the nominal price; but whether it affected the real price or not has been the subject of much discussion. During the two periods of the high and low prices, there can be no doubt that the nominal price of corn fluctuated in a much greater degree than the value of the currency; and those, therefore, who contend, that the rise and fall of price was occasioned entirely by the alteration of the value of the currency, must be prepared to maintain that such alteration affected not only the nominal, but also the real price.

* By value here, I mean, of course, "value in money," and by price, "price in money," and by nominal and real price, "the nominal and real money price."

In one way, indeed, it is clear, that the real price of corn was affected by the introduction of the forced paper currency through the restriction act of 1797, and by the recurrence to the metallic currency effected by Mr. Peel's bill in 1819. The value of gold in exchange for all other comodities was no doubt diminished in the first case in the general market of the world by the reduction of the demand for it, and was enhanced in the latter case by the increased demand for it. But it seems impossible to account for the whole rise and fall of the real price of corn from these circumstances.

If indeed we suppose, as has generally been assumed to be the fact, that any alteration of the currency, or of the value of the precious metals, immediately affects the price of all commodities in exact proportion to that alteration, it could not at all account for many of the phenomena which we have been endeavouring to explain; it would not account for such a rise of price as would stimulate, nor for such a fall of price as would check, production; because the same alteration of the currency, or value of the precious metals, which raised or lowered the price, would at the same moment raise or lower the cost of production in the same proportion,

and would leave the motives for production the same as they were before such alteration.

There is, however, another mode in which such alteration of the value of the currency and of the precious metals would affect the *real* price of corn and other commodities, through the medium of increased or diminished activity of trade and manufactures, attended by increased or diminished employment and wages of the labouring population; though such effects would be but temporary and could not account for all the late phenomena.

The effects of any alteration of the value of the currency, or of the precious metals have never been accurately traced, nor will the limits of this tract allow an attempt at a full developement of the subject: but we shall endeavour to explain by a few observations the effects which such alteration has on trade, commerce, and manufactures, and through them on wages, and the demand for, and price of corn.

Mr. Ricardo has noticed the different proportion in which any alteration of the value of the currency necessarily affects articles differently taxed, according to the amount of the tax, but has not traced its effects upon trade and manufactures.

If the value of the currency were to fall ten

per cent, the cost of every article, if affected in the same proportion, would of course rise ten per cent. Any untaxed article, therefore, whose cost before the depreciation was 100*l.* would after the depreciation cost 110*l.* But with respect to any taxed article, the tax would remain the same, and the remainder only of the cost could be raised in proportion to the depreciation; and if the tax upon such article were fifty per cent, the increase of cost would be ten per cent upon the other fifty only, or five per cent upon the whole;—the cost of the untaxed article, therefore, would rise ten per cent, the cost of the taxed article would rise but five per cent.

The result of any elevation of the value of the currency would be just the reverse; the whole cost of any untaxed article would be reduced ten per cent, whilst the tax being fixed, the remainder only of the cost of the taxed article would fall in the same proportion.

In both these cases in consequence of the alteration of the relative cost of different articles, whilst the relative demand for them continued the same, there would be an alteration in the channels of capital, till the level of demand and supply of each article were adjusted to the new state of the currency. But in the former case

the proportion of the tax to the cost would be lowered, in the latter, it would be raised; and the same effects would follow as if the tax had been directly lowered or raised. In the former case, by the reduction of taxes, profits would be increased, new activity and vigour would be infused into trade and manufactures, and more employment furnished to the labouring population, which would be attended by larger wages and an increased demand for corn. In the latter case the tax would be virtually increased, and the consequence must inevitably be, in a country taxed so highly as Great Britain, a considerable derangement of commercial plans and speculations, a very great loss to the dealer in many commodities, a risk and uncertainty of profit, and in consequence a temporary stagnation of trade and manufactures.

But there are other modes in which any alteration of the value of the currency affects the whole commerce of a country.

"We find," observes Mr. Hume in his essay on money, "that in every kingdom into which money begins to flow in greater abundance than formerly, every thing takes a new face; labour and industry gain life, the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his

plough with greater alacrity and attention. On the other hand, when gold and silver are diminishing, the workman has not the same employment from the manufacturer and merchant; the farmer cannot dispose of his corn and cattle though he must pay the same rent to his landlord. The poverty, and beggary, and sloth which must ensue, are easily foreseen." Such are the consequences of any alteration in the quantity, and change in value of the currency, as described by Mr. Hume; and though the chain of reasoning by which he arrives at these conclusions is certainly defective; there can be no doubt, as will be seen presently, of their soundness. These effects, however, of the alteration of the value of the currency on the trade and industry of the country have by some been altogether denied, by others they have been partially admitted; but neither have the full effects of such alteration been adverted to, nor has the process by which such effects are produced been investigated.

The effects of any depression of the value of the currency in diminishing the real revenue of all those who have fixed incomes, and the contrary effects of any elevation of the currency, have been, but not sufficiently, adverted to. In the case of depreciation, the fund-holder, the

annuitant, the person deriving a fixed income from mortgages or any other source, the landlord during the continuance of his lease,* all suffer in proportion to the amount of that depreciation, their nominal incomes remaining the same, whilst the price of all articles is raised. The farmer on the contrary during the continuance of his lease, pays the same rent to his landlord, the same taxes to government, the same composition probably for tithes, but sells his produce for a price increased in proportion to the depreciation. The merchant, the manufacturer, and the tradesman, pay the same Custom and Excise duties on their goods, the same port-dues, the same tolls, the same rent for

* The funded proprietor, or the landlord, or the person living on an annuity, or on the interest of money will not always suffer in proportion to the depreciation. For the funded proprietor whose income is fixed, may also have a fixed charge upon his income, and in proportion to the reduction of his income will be the reduction of the charge. Thus if a man have an income of 2000*l.* a year from the funds, and pay in assessed or other taxes 200*l.* a year, the reduction will fall upon the 1800*l.* only, and his loss by a depreciation of 10 per cent will not be 200*l.* a year, but 180*l.* a year only. If the landlord has a charge upon his estate, that charge will be reduced in the same proportion as his rent, and his loss will be only on that part of his income which is over and above such charge.

warehouses, the same amount of interest for capital borrowed, but all obtain increased prices for their goods. The profits, therefore, of the farmer, the merchant, the manufacturer, and tradesman, are increased in proportion to the amount of these fixed charges which they have to pay and to the degree of depreciation of the currency in which they are paid. The revenue of all the unproductive classes of the community, of all those who live on revenue, and who do not employ capital themselves, must be derived in some way or other from the produce of the productive classes. The revenue of all these persons is reduced in proportion to the depreciation, and all that is lost to this unproductive part of the community necessarily goes to increase the profits of the productive part.

When we consider the very large class of persons in this country who live on revenue, landlords, fundholders, annuitants, persons in the employ of government, those living on the interest of money, persons retired from business and receiving a fixed salary from their successors; in short, all persons who do not labour at all, and those whom Dr. Smith calls unproductive labourers, the aggregate loss to such persons on any considerable depreciation of money, will be

found to be very great, and the increase of the profits of those who employ capital, will be equally large.

This is the mode in which the profits of trade would be increased by the depreciation of the currency; and it is scarcely necessary to observe that this increased profit would operate as a spur to production, that it would quicken all the operations of trade, manufacture, and commerce, and would cause additional employment and increased wages to the labouring population.

Precisely the opposite effects will of course follow from any enhancement of the value of the currency. All fixed charges, the incomes and capitals of all the unproductive classes of the community, will be increased in proportion to the enhancement of the value of the currency, and the capitals and profits of the productive classes will be diminished in the same proportion. From this will follow all the effects we witnessed in the year 1819, and some of the following years, and which are depicted to the life by Mr. Hume. The effects, which I have described as following from any depression of the value of the currency, would evidently follow in whatsoever way that depression were effected, whether by degradation or debasement of the coin, an over issue and depreciation of paper,

or by discovery of more fertile and abundant mines.

But the depression of the value of the currency during the war, which originated chiefly in an over issue and depreciation of paper, would further affect the relative situation of the productive and unproductive classes.

The effect of any addition to the paper currency (when it is not required by increasing trade) is of course in the first instance a rise of the price of goods; this rise of the price of goods, which is the same thing as a reduced value of gold, sends gold abroad for a better market, and this exportation of gold again restores the price of goods nearly to their former level. The same effect follows from every addition to the paper currency; each successive addition displaces an equal quantity of gold, till, if continued, the whole of the metallic currency is displaced. The gold, however, is not sent abroad for nothing, it is sent abroad in exchange for capital of various kinds, which constitutes an addition to the capital of the country to the amount of the gold displaced.

Now all this increase of the capital of the country goes to the productive classes, for they and they alone have the benefit of the paper issues. Country gentlemen, and persons living

on revenue, do not usually circulate bills or draw accommodation notes.

If a tradesman or merchant has real capital to the amount of £10,000., and by paper credit he can increase it nominally to £20,000., this gives him in the market nearly a double command over all the objects of his trade. But this increase of his nominal capital cannot increase the quantity of goods in the market; they therefore, on account of this increased demand, become dearer; his command, however, is increased, on account of the increase of his nominal capital, but the command of those who have not increased their capital by paper credit is on account of the rise of price diminished. The merchant therefore gains what the other parts of the community lose. When the level of the prices is however nearly restored by the displacement of gold, the command of all other persons is the same as before; but the merchant's command over goods is double by the doubling of his capital, and that additional command is furnished to him without injury to the rest of the community by the importation of goods in return for the gold exported.

Such are the effects of any depreciation of the currency; high profits, brisk trade, increased demand for labour, increased wages, and a consequently increased real price of all the necessa-

ries for the subsistence of labour, of which bread constitutes the chief.

The effects of any elevation of the value of the currency are directly the reverse, low profits, and in many cases an absolute loss of capital, derangement of trade, lowered wages, and a diminished demand for bread.

It is of course impossible to approximate to any calculation as to what portion of the distress which affected the productive classes from the year 1815 to the year 1822 is attributable to the restoration of the currency; but I think it quite clear that the distress, which was originally occasioned by the transition from war to peace, was prolonged by that necessary measure.

It would be impossible to describe the effects of the alteration of the currency in more lucid or expressive language than that used by Mr. Attwood, in his evidence before the Agricultural Committee; though from the mode and language in which the questions are put to him, his answers do not seem to have met the approbation, or to have fitted the notions or theory entertained by the gentlemen who put the questions.

Q. Do you believe there is now any speculation going on in corn?

A. Very little indeed.

Q. Is that owing to want of capital?

A. Want of confidence.

Q. Want of confidence in what?

A. The prices.

Q. That is an impression that the prices may be lower?

A. Yes; every capitalist who has ventured to move his capital to any mercantile, manufacturing, or agricultural purposes in the last six years, has found himself injured by his labour, instead of getting profit by the employment of his capital; he has almost invariably found a loss, the consequence of which is an extreme depression of mind, and an extreme unwillingness to move what capital he possesses into action, the consequence of which is, that his capital determines itself into the money markets, where it gluts those markets, and depreciates the interest of money, at the same time that it raises the value of its principal.

Again.

Q. You have said that nothing, in your opinion, affects the price of commodities but the proportion of the supply to the demand?

A. Certainly.

Q. Will an increase in the quantity of money, and a fall in its value, increase the demand for commodities?

A. Unquestionably.

Q. Will it also increase the supply?

A. Certainly; an increased demand will afterwards act in increasing the supply.

Q. Will it do so in one market only, or in all?

A. It will do so ultimately in all markets.

Q. It is impossible for you to think that altering the yard measure, by calling a foot a yard, will augment the quantity of cloth or linen which is measured by it, although the number of yards of such reduced dimensions would of course be increased; how then can you think that altering the measure of value, by calling twenty shillings twenty-five shillings, can augment the quantity, or rather value of the commodities measured?

A. Unquestionably an alteration of the value of money, depreciating the standard so as to elevate the prices of property, *will have the effect of giving a greater reward to the producers of property, and will therefore cause a greater exertion in effectuating production.*

Q. Will it give to the producers a greater reward in real value, that is to say, in the means of consuming commodities?

A. Much greater; *but it will give to the monied interest less.*

Q. Does money contribute at all to the production of commodities?

A. It is almost the only organ employed in that purpose.

Q. Does not the quantity of commodities produced depend upon the quantity of labour, raw material, machinery, and other things used in the production?

A. No doubt the productions of a country must depend upon the quality of its productive power.

Q. But you think by altering the money value of those things we increase their productive power?

A. As a general principle, by raising the money value of those things, we unquestionably do increase their amount.

Q. Altering the value of money, and thereby raising the price of land, will not make the land produce more corn, will it?

A. I believe, in a series of years, it certainly will; to that I attribute the increased production which took place during the war, correspondent with the increased population of the country.

Q. By altering the price of the raw materials and the machinery of a manufacturer, a clothier's for example, will you increase the quantity of cloth?

A. Certainly; by altering the price of the commodities the manufacturer sells, you will.

The questions here put by the committee savour of Mr. Ricardo's theory, that demand, when it is said to raise the money price, does not mean money-demand, but means a demand measured by some other standard, hats or shoes, &c. &c. &c.

I have thought it quite unnecessary to consider whether the restoration of the currency, and all the evils attending that restoration, were caused by Mr. Peel's Bill or not; those mischiefs cannot in fairness be attributed to the restoration, but to the disorder of which it was the remedy; Mr. Peel's Bill must, by every unprejudiced person, be considered as doing the highest honour to its author and to the legislature.

CHAPTER VII.

CONCLUSION.

We will now apply the principles which we have endeavoured to explain in the foregoing pages to the present state of the country.

Our trade and manufactures have recovered from their depression, the manufacturing population are fully employed throughout the country; the result has been such as might have been anticipated, the price of corn and agricultural produce has again risen, and subject probably to those fluctuations which are incident to a manufacturing country, will, if we prohibit importation, and depend upon our own resources alone, continue to rise.

Whether the *money price* of corn will continue to rise, will of course much depend upon the result of the present change of affairs in South America; upon the quantity of the precious metals which may be extracted from the mines by the application of better machinery and increased capital; but that the comparative or relative price, as compared with that of other

countries less advanced than ourselves, and as compared with articles of manufacture in our own country, will continue to rise, I think there can be no reasonable doubt. There is one circumstance indeed which may retard this rise of price, but I think it will merely retard, and not entirely prevent it. It is the gradual progress into all parts of the country of the improved modes of husbandry. But it will be remembered, as has been before observed, that many of these new improvements of husbandry are applicable only to high prices, and that high price is actually necessary, and a condition precedent to their operation.

Both theory and the experience of these last sixty years teach us, that if we prohibit or much check importation, the price of corn and raw produce must rise as we are driven to inferior soils and more expensive modes of cultivation; the consequences upon the rate of profits and the wages of labour, upon the progress of our wealth and population, and the amount of reproduction, are evident. Profits must continue to fall, and with them the reward or price of labour. The money price of labour would rise, but it could not rise in proportion to the enhanced price of food; reproduction must proceed in a decreasing series; the addition of each year to the capital

and population of the country, must bear a less and less proportion to their whole amount. The diminution of the rate of reproduction will not fall upon profits alone, as Mr. Ricardo supposes, but it must inevitably fall in part upon the price or reward of labour. The landlord alone will benefit by this course of things; rents would certainly be increased, they would be increased in two ways, both by the larger produce which would go to rent, and by the increased price of that produce.

But every other class of the community will suffer, and suffer too much more than in proportion to the benefit conferred upon the landlord. The effect of course of a diminution of the productive powers of labour must be a loss to the whole community, as has been often, but apparently not often enough, explained; if a large portion of our population is employed in producing food upon our own inferior soils, when by applying themselves to manufactures they could produce what would always exchange with other countries for double the quantity of food, it is evident that half of the labour employed is thrown away. The rest of the community therefore lose in two ways, they lose by the lesser production of labour, and they lose because a larger proportion of that production goes to the landlord.

Rent beside, be it remembered, goes to the unproductive consumer; it goes to those who employ it usually in consumption merely, and not for profit; and the larger the rents, and the less the profits in any country, the more will be expended in consumption and the less for profit, and the less will be the accumulation. In our own country indeed, this effect of increasing rents and diminishing profits is much counteracted by the habits of our land-proprietors, who more than in any other country live upon their estates, and employ a great part of their revenue in improving them.

It is clear then that to landlords, and to landlords alone, it would answer to prohibit or to check importation in any great degree. There can be no doubt, that if they had the power to prohibit importation altogether, and if at the same time they could also prohibit capital from leaving the country, from seeking the most profitable employment, their rents would be greatly increased. But even could they do the former, could they prohibit importation of corn, it is quite clear that they could not prevent capital, the profits of which must fall as the price of corn and rents rise, from seeking more profitable employment in the colonies and in foreign countries. Notwithstanding however, that in conse-

quence of high rents and low profits, capita would inevitably migrate, in a greater or less degree, according to the good government, the security, and the means of employment to be found in other countries, landlords would certainly benefit by the prohibition of importation, except for one consideration, which I think makes it very doubtful whether the balance of such a measure would be for or against them. Had we no national debt, no taxes, there can be no doubt that they would be benefited by a total or partial prohibition of importation. But loaded as we are with an immense debt, with still enormous taxes, the consideration is very different. What has enabled us to bear this debt and these taxes? What is it that has falsified all the predictions that we must sooner or later sink under them? What is it that has rendered within these two or three years, the burthen of them so comparatively light, notwithstanding the real increase of them by the restoration of the currency. Certainly not sinking funds; nor any other measure to lighten the actual weight of them; but the increase of strength to bear them; the multiplication of our resources, the enlargement of our capital and revenue, the extension of production, all these have enlarged and strengthened the foundation upon which they rest, and

they of course bear with a smaller part of their weight upon each portion of the wealth and resources of the country.

If we proceed in prosperity and production at the same rate as we have these last two or three years, the burthen will, of course, from the same circumstances, become less and less in proportion to our strength to bear it; or rather our strength will increase more and more, and we shall carry the same burthen with more and more ease. But should production be much checked by a partial or total prohibition of importation, and much more should the fall of profits originating in such measure force capital from the country, the weight of the debt and taxes must inevitably fall more heavily than it otherwise would upon that portion of the capital and revenue which is left to bear it. Landlords in such case would suffer in common with the rest of the community.

In any case, whether importation be prohibited or not, it is probable that our resources will continue to increase, and the relative burthen of the debt and taxes will become less and less, more of them may be remitted, and what remains will be less felt. But it is quite clear, that this course of prosperity would be much retarded by any measures which should check

the productive powers of labour and capital, such as a total or partial prohibition of the importation of corn.

On the other hand, however, there are some arguments against an entire freedom of the trade of corn. Such a measure would have the effect of throwing a very large proportion of the agricultural population out of employ, and of aggravating intolerably the burthen of the poor-rates in the agricultural districts.

It seems universally agreed that some middle measure, between total prohibition and entire freedom of trade, should be adopted.

The system of averages, of totally prohibiting importation when corn is under a certain price, and of permitting unshackled importation when it reaches that price, has been found most injurious from the fluctuations which such system causes; and there can no longer, I think, be any doubt, but that a fixed and permanent duty is the best mode of effecting a restriction, and the only remaining question is, as to the amount of that duty. The duty would of course be fixed with reference to a permanent price of corn in our own country, and though invariable in amount for each particular country from which supplies might be received, would be different

according to the supposed cost of production in, and transport from, different countries.

What should be the price then of wheat, at which that duty should aim? I should be of opinion that it should not be higher than 60*s.* the quarter. The average of the last three or four years has not reached that point. Such price would be sufficient to force many of the modern improvements into parts of the country to which they have not yet extended, and would not bear too heavily upon the manufacturing interests or the community in general.

It will be remembered, that in no one year before the year 1794, did the price of wheat reach 60*s.* the quarter, and that the average of the ten years, ending in 1794, was but 50*s.* the quarter; the average of the ten years, ending in 1784, but 48*s.*; and of the preceding ten years the same, according to the Windsor tables. The steadiness of the price of corn during those twenty years, which Mr. Burke designates as a bad cycle, is remarkable; that we shall ever attain the same steadiness is, I fear, very doubtful. A considerable fluctuation of the price is probably one of the conditions of the tenure of our immense manufactures, and of our extensive sphere of commerce.

Taste for luxuries must fluctuate more than the want of necessaries; the demand for luxuries will vary not only with the means, but with the taste or wants of the purchasers: the demand for necessaries will vary with the means alone, the want is always nearly the same. The more extensive our sphere of commerce, the more distant our markets, the less is the approach to certainty with which we can anticipate the demand of the purchasers or the supply of the sellers. Even the subdivision of labour, which is the chief cause of the increase of its productive powers, is attended with evils; though it increases the powers of production, it at the same time renders us more susceptible of the influence of fluctuation of supply and demand. Were every man to provide every thing for himself, though he would be but poorly provided, he would at least know what he wanted, and would never throw his labour away. Were a village to provide all its supplies within itself, it would not be difficult to anticipate what the demand of the society might be.

But when we provide for countries at the other extremities of the globe, India, or South America, we must frequently be mistaken as to what articles they may want, and to what extent they may want them, or be able to pay for

them. When we draw our supplies from quarters as distant, they cannot be very nicely proportioned to any fluctuation of the demand at the distance of half the globe.

These very irregularities, however, of an extended commerce, may, perhaps, be rectified by a still further extension of it. As our markets are multiplied, we become less dependant upon any individual one; it is improbable that all should fail, or become unprofitable at once, and the gain in one may compensate the loss in another.

With respect to the fluctuations of the price of corn in unison with those of our manufacturing prosperity, there appears to be but one remedy for them; there is but one mode in which the demand for corn can be rendered less susceptible of the influence of manufacturing changes; it is a greater degree of foresight and prudence in our manufacturing population, to which the institution of saving banks will, it is trusted, greatly contribute. Such habits would render their means more equable, they would save in the day of prosperity for that of adversity.

With respect to the efflux of capital which must be the consequence in some degree of the low rate of profits, even that may be stemmed

by the enlightened and liberal institutions of our country, and by the measures of a wise and unprejudiced government and legislature. Freedom of trade, security of property, honour and good faith in mercantile dealings, liberal institutions which enable the merchant equally with the oldest feudal families to partake in legislation, and in the honours of the crown, will compensate a considerable difference of profit. Improvements in our judicial system by rendering legal redress more accessible, and less tedious and expensive, will, of course, add to that security. I cannot omit to mention what we may hope to see effected, additional inducement to turn the channels of capital to agricultural production; by a greater security of titles to land and lessened expense in conveying them. A general registry act has frequently been proposed, would it not be the best and safest first step towards a simplification of the laws of real property. That it would increase the security of mortgages, and facilitate the obtaining loans on mortgage, there can be no doubt.

APPENDIX.

Price of Wheat per Quarter,
for each Harvest Year.

	£.	s.	d.
1744 . . .	1	1	6
1745 . . .	1	2	2½
1746 . . .	1	11	8
1747 . . .	1	12	5½
1748 . . .	1	10	6
1749 . . .	1	12	10½
1750 . . .	1	10	8
1751 . . .	1	9	7
1752 . . .	2	1	8
1753 . . .	1	18	9½
	10) 15	11	11
	1	11	2¼ yearly average.

Price of Wheat per Quarter,
for each Harvest Year.

	£.	s.	d.
1754 . . .	1	16	2
1755 . . .	1	18	1½
1756 . . .	1	12	3
1757 . . .	2	14	2½
1758 . . .	2	8	0
1759 . . .	1	18	2½
1760 . . .	1	12	1½
1761 . . .	1	10	2½
1762 . . .	1	12	4
1763 . . .	1	13	5½
	10) 18	15	1
	1	17	6 yearly average.

Price of Wheat per Quarter for each Harvest Year.

	£.	s.	d.
1764 . . .	1	18	11
1765 . . .	2	7	1
1766 . . .	2	3	2
1767 . . .	2	11	1½
1768 . . .	2	18	4½
1769 . . .	2	5	7
1770 . . .	1	18	11½
1771 . . .	2	9	3½
1772 . . .	2	14	2
1773 . . .	2	19	11½
10)	24	6	7
	2	8	8 yearly average.

Price of Wheat per, Quarter, for each Harvest Year.

	£.	s.	d.
1774 . . .	2	15	11½
1775 . . .	2	17	11½
1776 . . .	2	3	1½
1777 . . .	2	4	5½
1778 . . .	2	10	7
1779 . . .	1	17	6
1780 . . .	1	16	11
1781 . . .	2	12	5
1782 . . .	2	8	10½
1783 . . .	2	18	2
10)	24	5	11
	2	8	7 yearly average.

Price of Wheat per Quarter,
for each Harvest Year.

	£.	s.	d.
1784 . . .	2	13	3½
1785 . . .	2	10	3
1786 . . .	2	4	0½
1787 . . .	2	2	3
1788 . . .	2	10	0
1789 . . .	2	11	8½
1790 . . .	2	17	8½
1791 . . .	2	14	0½
1792 . . .	2	2	8
1793 . . .	2	13	10
10)	24	19	10
	2	9	11 yearly average.

Price of Wheat per Quarter,
for each Harvest Year.

	£.	s.	d.
1794 . . .	2	11	4
1795 . . .	3	3	6
1796 . . .	4	14	0
1797 . . .	3	7	3
1798 . . .	2	14	0
1799 . . .	2	16	4
1800 . . .	5	9	4
1801 . . .	7	12	6
1802 . . .	3	14	0
1803 . . .	3	3	3
10)	39	5	6
	3	18	6 yearly average.

Price of Wheat per Quarter,
for each Harvest Year.

	£.	s.	d.
1804 . . .	2	19	6
1805 . . .	4	4	0
1806 . . .	4	4	0
1807 . . .	4	7	0
1808 . . .	3	11	3
1809 . . .	4	18	0
1810 . . .	5	16	0
1811 . . .	5	4	0
1812 . . .	6	4	0
1813 . . .	6	8	0
10)	47	15	9
	4	15	7 yearly average.

Price of Wheat per Quarter,
for each Harvest Year.

	£.	s.	d.
1813 . . .	4	15	0
1814 . . .	4	2	0
1815 . . .	3	12	0
1816 . . .	5	12	0
1817 . . .	5	2	0
1818 . . .	4	6	0
1819 . . .	3	18	0
1820 . . .	3	9	0
1821 . . .	3	6	0
9)	38	2	0
	4	4	7 yearly average.

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